Views from the Valley

Mike Ettling, President of SuccessFactors and leader of SAP's Education offerings talks to us about the inextricable link between high growth and talent management, life in Silicon Valley and the fundamental skills needed of today's leaders.

Breaking the $2bn barrier

I initially joined SAP to reinvigorate SuccessFactors which was the acquisition it made about five years ago. Today our revenues are north of a billion dollars, growing in the high 20 percents and a market leader in terms of market share in HR Cloud software. Our core product is growing at 70% year on year, much faster than others across the Bay. At this sort of growth rate, the business doubles every 2 ½ years, meaning that at the end of that next period, this is going to be a $2bn plus business. With 50 million subscribers and 6,000 customers it is truly a cloud business at scale!

Such strong growth means that talent is one of my five business priorities and my biggest challenge has been and continues to be whether people can scale fast enough. In fact, when people ask me what keeps me awake at night, I say talent because it's absolutely critical. Your people are most likely doing a fantastic job but if you don't prepare and develop them properly, they won't necessarily have the right skills for the business. This means

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that some of them will make it and some of them won't. But we are doing some innovative and forward looking things regarding talent management to make sure that they do. We're not only doing talent forecasting that looks at the talent that we will need in eight quarters from now but we're also looking at how our talent today will shape up in eight quarters' time. A particular challenge for us is that there are not a lot of businesses in the Cloud world, with the exception of

Mike Ettling, President of SuccessFactors

the AWS's, Google's and Facebook's, that don't have the same scale as us. Regardless of role, people in the Valley are often in a $50m-100m business and subsequently won't have enough scale experience. I can look at various Telcos, the IBMs and HPs to find this but they then lack the knowledge of multi-tenanted, cloud architecture or the whole cloud experience model - it's a bit like finding unicorns!

We're also actively working on three specific elements within talent to respond to this challenge; the first being training and development which allows people to move into new roles. It's very easy to set people up to fail in a high growth business so we are very conscious of individuals' experience, capabilities and development needs when moving them. Another area for us is working with firms in mapping the market in different job categories. This allows us to look laterally as to where we can find the right people. For example, high volume transaction banking industries and telco industries have some interesting people who

can make the segway into our world quite effectively. Some areas are just more accessible through their similarities, though they still have to be able to open their "mindset" to our environment. Our third focus is our shadowing programmes. We take a particular function, a leadership team from it and we work with a firm such as Accenture which has both strong consulting and operational capability. Then we ask them to provide 10 leaders to shadow our 10 leaders, with those shadowing who are used to managing the scale challenges transferring knowledge and experience and helping us to raise our game.

We've been experimenting with all three of these areas and have experienced tangible success with them. But talent remains a constant and conscious focus of mine. There's always lots of talent for those on the $10-100m business paths and it's easy to do. However, the paths $100m to $1bn or $1bn to $2bn are less well trodden and I believe innovative and effective approaches to talent management and

development will be a key difference for the Cloud companies that are really able to scale effectively.

Digital transformation in HR

Four big things are happening in HR at the moment. Firstly, even after all the years of talent management, the problem is still unresolved. When you read CEO reports, they all talk about it still being the critical path and there remains a big opportunity around solving how to do it. So our software is enabling things like continuous performance management, and Business beyond Bias where AI capabilities in the software helps users avoid gender bias in what they are doing. For example, people often unintentionally write gender bias into job specs and our software identifies this.

The second big area is the whole concept of having five generations in the work force - from the millennials through to the baby boomers. I think of them more as digital natives and digital immigrants. They are all driving a different way that people want to consume software, in particular the digital natives and millennials. When you step into any company, perhaps excepting Google and Facebook, if you ask the employees whether they feel they go backwards in technology when they are in the office compared to what they have at home, the answer is always 'Yes'. We're working hard to address this phenomenon with our HR technology. When people go to work and they use SuccessFactors, we want them to feel on par or better than with what they are using at home.

The third thing would be the rise of contingent labour which is continuing unabated. Companies have got to stop thinking of salaried employees as the boundary for talent. This is part of the reason that we bought Field Glass – why shouldn't you performance manage your contingent workers, but in a way you stay legal from country to country? The whole dynamic of managing the workforce in its broadest sense is so important now and this is what we're trying to help companies to do.

The fourth element is that HR as a function has never had standards, despite the frequent standardisation

of other back office functions such as accountancy. This has meant that HR historically has the most complexity and the most mess. But the Cloud standardises this as you can't customise within it. The Cloud is all about regulating and modifying your processes to adopt the standards now and it's giving HR leaders the catalyst to drive standardisation. This is why HR today is the fastest growing cloud solution out of all the back-office functions in business.

Developing Leaders

For me, good leaders have to be authentic. If your company or your environment puts you into a situation where you can't be yourself, you need to quit. It always intrigues me when people say "This is my work personality, I'm not like this at home". Unless you are authentic, there is absolutely no way that you can be an effective leader. I'd also say that you can't be an effective leader today without embracing social media. I myself am particularly active on LinkedIn and Twitter and I also track my leadership team's Cloud scores. In fact, I actively put it in their MBOs that they need to be active on social media, as it's a big part of leading today. Of course, it's possible to take it too far in the wrong direction and focus too much on your status and reach. There was one time when I was speaking with a private equity fund that was replacing the CEO of a company. They told me that they were looking for someone more focussed on P&L since the current CEO was too focussed on his Glass Door rating! But aside from this, the talent

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war today is about building your brand before you are even hiring people and social media is essential in order to lead with diversity. Social media is also now used as a tool to brief on meeting new people. We did some social media videos and now when I go to see a CHRO, they often tell me that they know who I am because

their people showed them the 'Firing Line' video. Nobody needs to write briefing papers any more these days in advance of face-to-face meetings, all of the information is out there on social media. It's become extremely interesting over the last two years and it's becoming increasingly part of the fabric rather than just being something extra.

Life in the Valley

I originally started this role based out of London but I think the move to Silicon Valley has been great. I have been fortunate to live and work on all the continents except South America, but this part of the world is pretty unique. I wouldn't call it mainstream USA as you have the most incredible diversity, not really seen anywhere else in the US other than New York. All the new concepts are being piloted and launched here; so the Apple statement, "Oh there's an App for that", well there is literally an App for everything – whether I'm looking for rides for my kids to soccer, or a task grabber to come along, there is an App for everything. So that richness of innovation to which you are constantly exposed to is really interesting and exciting. You always read about this innovation from the outside in, but you can't fully appreciate how much disruption is going on and being experimented with in Silicon Valley until you actually get here and see it from the inside out. Before coming here, my perception of the degree of disruption was probably 40% or 50% of what it really is. People also think of cut-throat business when they think of Silicon Valley but it really isn't like that. There is a very open, almost Californian hippy, culture here where everyone wants to help everyone. If you ask someone for help or ask for input, people will give you their time. No one is shy or reluctant to share the experience or richness of what they have created. I do however, worry that there might be a little bit of a bubble here. It has been raining money here for decades and the real world isn't the way it is experienced here in Silicon Valley. Having kids grow up here, I am very conscious of keeping them grounded in reality and the annual trip back to South Africa should be useful to do that.