



MARKET TRENDS REPORT Q3 2011

TECHNOLOGY
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Australia



Hong Kong



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United Kingdom

Introduction



The year is now in full swing and despite the worldwide market volatility of recent months; it's still a pretty positive environment in which to operate a business here in Australia. This week saw the release of a number of pieces of positive data on the Australian economy.

Gross domestic product (GDP) rose by 1.2% in the three months to the end of June from the previous quarter, the ABS said. That compares with a contraction of 0.9% in the first three months of the year and an equivalent growth of 1.4% for the same period last year.

The indication from the country's main ASX 200 share index on the data was positive, ending up 2.7% and supporting the notion that despite some consumer and business uncertainty, generally people had little reason to be downbeat.

Data out last week showed that retail sales in July rose 0.5% from June, the first increase in three months whilst at the same time Australian firms spent 33.6bn Australian dollars on business expansion in the second quarter, a 4.8% jump from a year earlier.

The Australian Bureau of Statistics said firms were planning to further invest A\$149bn in the financial year to the end of June 2012, indicating that they expect the economy to grow.

Unemployment did increase in August from 5.1% to 5.3% according to the ABS which was contrary to expectations and is perhaps a reflection of some recent redundancy talk by the likes of BlueScope Steel, Qantas Airways and WestPac Banking Corporation.

Perhaps I'll end this introduction with an Aaron Levenstein quote; "Statistics are like a bikini. What they reveal is suggestive, but what they conceal is vital."

Kind Regards

Andy Cross
Managing Director, Technology

Recruitment Issues

- Recruitment 3.0: A new era on the horizon.
- Executive remuneration in the Year ahead.
- Insource, outsource or partnership with specialist recruitment providers.
- Data integrity, background checking and sham qualifications.

Recruitment 3.0: A new era on the horizon

There is a fascinating article published in the June Journal of Corporate Recruiting Leadership by Matthew Jeffery and Amy McKee of games tools giant Autodesk. Their premise is that the recruitment landscape is about to change and change in a big way.

Following on from our contention in the last issue that the Industry is already hamstrung by vast differences in service quality and delivery, what do these supposed changes represent for recruiters, job seekers and employers? Here are some worthy points to consider.

1. Not everyone is looking for a job. Common opinion (backed by research) suggests only 10% of suitably skilled individuals for any particular job, actually apply for that job. Net result, the best candidates are likely to be in the remaining 90% who as far as they are concerned aren't looking for your job!
2. Everyone is a potential candidate and/or brand ambassador. The important question to ask is when does a candidate become a candidate? Is it when they see a job, apply for a job or is it when their boss upsets them or they recognise their own lack of career potential in their current role? The answer is don't wait for candidates to self-nominate, be in front of them as these decisions are being considered and pull them to you.
3. Understand the Psychology of people and you will recognise that they like to socialise. It is this socialisation that is driving the upsurge in social media dialogue and therefore for recruiters we must create a multi-channel, open and uncensored communication platform. Go forth and spread the word, it called forming a relationship.
4. You can't control what people say, so deal with it. With the plethora of medium available for people to communicate you better expect that good, bad or indifferent service or even straight out opinion pieces will be spread to the world via large network communication channels. This can be very good, or equally very bad for you but accept and be prepared to deal with it.
5. The 'Talent pool' is being rebadged the 'Talent puddle' and Recruitment 3.0 is encouraging people to recognise they need to look at new and innovative ways of connecting employers with employees. We need to look for ways to build communities of value that engage people, offer creative and stimulating dialogue and allow relationships and understanding to grow between participants.

Executive remuneration in the year ahead

Ernst & Young recently put out their 2011 Executive and Board Remuneration Report and it provides for an interesting read. The median total remuneration (made up of fixed, Short and Long term incentives) of a CEO in the ASX top 50 Companies is \$6.735m dropping to \$3.060 for ASX 51-100 Companies. A nice place to be I'm sure you'd agree but for many the expectancy placed on these individuals, more than makes up for the rewards they earn.

Here is a summary of some of the high level comments on the year ahead.

- Higher competition for people resources will be prevalent as the global economies recover;
- With increased global focus on corporate governance there will be a greater emphasis on remuneration regulation and shareholder activism;
- Companies looking at ways to incentivise executives will be mindful of alignment of remuneration policies with corporate strategies as well as mitigating risk and addressing tax implications;
- With the increase in cost in attaining talent, so too will increase the importance on retaining that talent through effective remuneration; and
- Development of flexible remuneration initiatives to meet changing business and employer expectations i.e. mix of Short and Long term incentives in addition to fixed salaries.

The prognosis therefore is a relatively positive one for executives in the Australian marketplace perhaps with the caveat that movement at the more senior end is still a little harder to anticipate and manage. Interestingly the mystery and secrecy that has for so long encircled executive remuneration appears to be well and truly gone, as a new sense of expectant transparency takes over. In a recent TV interview Qantas CEO Alan Joyce was asked if he should reduce his \$3m salary to save a large number of redundancies from being made. His clear and unflinching answer, "No" adding that he's already taken a pay cut and that he's effectively on a lower salary than when he was CEO of Jetstar. With executives being ever more scrutinized on their work product, it's fair to say that many will defend their remuneration packages with as much zeal and commitment as Alan Joyce.

Insource, outsource or partnership with specialist recruitment providers

In any business of scale there comes a time when you must consider whether it is appropriate to change the manner in which you conduct your recruitment services. Whether these models remain the same over the coming years is unlikely as recruiters scramble around the world to further differentiate themselves in a highly competitive and price sensitive marketplace. So what are the options?

- **In-house Recruitment** quite simply refers to the process of managing your own recruitment internally, usually under the supervision of the Human Resources team but often in conjunction with many different stakeholders across the business. The recruitment function can be one person or a dedicated team depending on the hiring needs of the business and the business drivers around recruitment in general. An organisation who seeks to maintain tight control of their quality of hire, who has a strongly identifiable brand presence or wishes to control costs, may utilise in-house recruitment as a cost effective method of achieving these goals. The benefits of cost and process control can however be outweighed by the lack of innovation and competition that going to market with recruitment partners may offer.
- **Agency Recruitment** is the more traditional and easily recognised model that most organisations will utilise at some time, whether solely or in partnership with their own in-house team. The distinction of a good agency recruiter is their ability to reach hard to find candidates that may not otherwise be available to an organisation through their traditional sourcing methods. Most agencies work on a contingent model which, similar to the real estate industry and even parts of the legal profession, is a pay for result only model. The disadvantage of this model is that in a highly competitive market where multiple agencies are competing for work; often their pricing is based not only on the service they provide when they place a candidate but (indirectly) for the lost man hours when they do not place a candidate.
- **Recruitment Process Outsourcing (RPO)** according to The RPO Alliance, a group of the Human Resources Outsourcing Association (HROA);

"... Is a form of business process outsourcing (BPO) where an employer transfers all or part of its recruitment processes to an external service provider. An RPO provider can provide its own or may assume the company's staff, technology, methodologies and reporting. In all cases, RPO differs greatly from providers such as staffing companies and contingent/retained search providers in that it assumes ownership of the design and management of the recruitment process and the responsibility of results".

The most recognisable benefits which a business expects from an RPO agreement are improvements in quality, cost, service and speed. The flip side of the equation however is that typically these arrangements require a significant level of hiring activity and therefore spend, to be able to justify the cost of ownership.

John Rawlinson CEO of Talent2 (A well-known RPO provider) commented this month, “(RPO) programs typically run with at least one thousand contractors, and I think they run better when you've got three, four or five thousand contractors”, adding that;

“Any less than 100 hires a year is very difficult for us to make these programs work, and we'd be suggesting that you'd be better off having really good partnerships and working on the processes you have with your external suppliers.”

Data integrity, background checking and sham qualifications

eHow www.ehow.com is an online how-to guide with more than 1 million articles and 170,000 videos offering step-by-step instructions on popular tasks or activities...like for example the hugely popular ‘How to Fake a Resume’ in just six easy to follow steps!

Jokes aside this is a significant risk for employers who run the risk both legal and financial when hiring people, that those people are suitably skilled and able to perform the roles for which they were hired. Consider the following high profile examples from the past few years and you'll see the extent of the problem;

- Dr Jayant Patel, aka Dr Death, banned from performing surgeries in the US. Upon returning to Australia, hid the gross negligence charges against him and performed surgery on patients which lead to their deaths.
- Timothy McCormack, Qantas engineer who faked qualifications to perform maintenance checks on 747s then falsified character references to reduce prison sentence
- 200 China pilots falsified their resumes, faking their experience to get hired and exaggerating the number of hours they had flown.

So prevalent and so damaging is the practice that a plethora of background checking and data verification services now exist to combat the problem. So how can you spot a fake resume?

Candidates generally will omit or change information on their resume that they believe will turn off a potential hiring manager and the most common categories include gaps in employment, being in a position for a very short period of time, and being fired. Other than using a specialist background checking service you can help yourself through focusing on these most popular areas. Thorough interviewing processes which seek to challenge a candidates skills and experience will often raise unanswerable or weakly answered questions which then require further probing. On top of this utilise the many methods of free background checking to establish whether the information is accurate and correct. Use friends of friends, research social media channels and with your best investigative hat on, dig for the dirt...if you think there is dirt to be found.

And if all else fails go with your gut instinct, it is usually right.

Executive remuneration in the year ahead

Tech 23

Those who ventured to Surry Hills Sydney for Tech23 2011 held on Tuesday 23 August 2011 were welcomed by the buzz of hundreds of clever people all under one roof!

Opened by NSW Deputy Premier, Andrew Stoner MP, the day brought together Australia's innovation ecosystem and included every ingredient - from research and development, to entrepreneurs, investors, and enterprise customers.

The award winners were announced at the Tech23 Awards Celebration held at the end of the day. Some of the more interesting entrepreneurs in my opinion include the following:

www.filtersquad.com - A tool for your iPhone to identify other top applications or music.

www.bugherd.com - Tag, describe & assign (software) issues in less than 10 seconds.

www.thereitis.com - Data visualisation technology for online retail.

Wireless in-flight connection – why are we behind?

American Airlines launched in-flight Wi-Fi back in 2008 so why has it taken so long for Australia to catch up to the states with the provision of a service that many would expect should be commonplace? That's the question many thought was going to be answered this week when Qantas and Virgin started talking about in-flight Wi-Fi
<http://tinyurl.com/3gy4tp5>

Perhaps the more interesting piece of the article is in the response section where a knowledgeable reader explains some the Australian specific difficulties, namely a lack of appropriate Infrastructure but also the geographical challenges of our great country.

Yahoo fires Chief Executive

This week saw the termination of employment for Yahoo Chief Executive, Carol A. Bartz. In a backlash that will no doubt continue for a few more weeks or until the next piece of cyber scandal hits our twitter accounts, the arguments are in deadlock. Did she do the right thing in then emailing Yahoo's 13,400 employees with the blunt but accurate words, "I've just been fired".

The sides are balanced with some viewing her actions as brave and pioneering; a 'transparent and authentic view of senior management decision making' whilst others argue it was self-serving and both personally and professionally irresponsible.

Check out the link and make your own determination <http://tinyurl.com/3wkzyfz>

Industry Sectors

Applications

The application development market is reflective of the Technology sector as a whole at the moment with continued demand for resources tempered only by a mild apathy towards signing on the employment contract dotted line.

A fellow Industry veteran this week commented to me; 'has it ever been harder (recessions excluded) to get hiring managers to commit at the moment'?

The business demand for resources is indeed strong and projects do still appear to have board sign off, but the 'wait and see' attitude is growing and forcing a challenging environment for recruiters to operate within.

In the Microsoft space more generic skilled individuals who are perhaps only trading on their core .Net skills, are struggling to gain eyeballs. In comparison however, those with Silverlight, MVC, or SharePoint skills continue to remain sought after across market sectors. This of course tends to support a justification for higher remuneration for their skills with more experienced developer salaries peaking 10-20% above the norm at circa \$120,000 to \$135,000.

In the enterprise market SAP continues to perform strongly with second quarter software revenue ending June 2011, up 35%. In Australia we see a large demand for both technical and functional resources across industry sectors and salary and contractor rates remain competitive in all areas. A three to five year experienced technical or functional ERP consultant can command up to \$140,000 in salary or on shorter contract a daily rate of up to \$1,200 per day.

Finally the demand continues to grow for mobile application developers and those who can code in rapid application development languages such as ruby on rails.

Whilst developers prefer to engage in contract assignments due to the reasonably favourable market conditions at present, clients from a cost control perspective at least, would rather hire a permanent developer for their team.

Business Information

The mid-year project build-up has continued strongly with demand outstripping supply for testers, business analysts and project managers. Across service sectors and despite nervous global intentions, resources are still being sought to drive existing projects to completion.

Increased market volatility and regulations regarding Lending, Securities and Money Transfer has driven a continuing growth in the number of Compliance Projects underway. This is particularly the case in the Regulatory Reporting and Solution space.

It should be noted that once again generic project management or business analysis skills are in much less demand than those who have specific, Industry or Technical experience as well. Demand for online skilled business analysts, project co-ordinators and testers is high in addition to those skilled with business intelligence experience.

SAS vice-president and chief marketing officer, Jim Davis commented recently in CIO Magazine;

“Some leading companies have already extensively embraced business analytics and experienced the benefits of lower cost, improved profitability and reduced risk. Others are just starting.”

And it's those that are just starting who are drawing upon the market to bring those experiences to their organisations, of course for a price with salaries up to \$145,000 and daily rates up to \$960.

In the Financial Services (FS) sector where salaries have been higher for longer and demand stronger, the global market nervousness is now causing some competition on salaries. Candidates who were once comfortably receiving \$1000 per day for senior project management duties are now finding they need to be prepared to accept \$800 per day to secure the same role. Interestingly in the non FS market the demand appears stronger for permanent resources but the financial challenges on salaries remain the same. Business analyst roles are offering in the range of \$100,000 to \$110,000 per annum whilst most 5years+ experienced applicants are consistently seeking \$120,000 and above.

Again reflective of an expectation differential, we are seeing a shortage of infrastructure project managers at the \$650 to \$700 per day and a generic shortage of master data managers across NSW.

Infrastructure

Last quarter we identified a low growth rate year on year of salaries and contractor rates in the more junior infrastructure space ranging from \$45,000 Helpdesk Lv1 to \$85,000 3rd Lv Support. This has remained the case to date and we have more supply than demand of help desk and service desk individuals at present.

Once the experience or specialisation required to undertake a role increases, so too do the remuneration expectations of individuals and it is at this more senior level that there are some interesting changes afoot.

For many years the dominant security models of most businesses has been location-centric, meaning build a strong perimeter and trust those on the inside and not those on the outside. Of course that is now changing with the plethora of mobile devices connecting to the outside world through that security perimeter and it's creating a demand for people who understand the shift towards an identity-centric model. Security professionals are in demand from systems, network, and data right through to Chief Security Officers who can command salaries close to \$180,000.

Change industries and the talk of the town for some time has been the National Broadband Network (NBN) and the infrastructure needed to support it. However if we believe commentary this week from Renai LeMay online at www.delimiter.com.au, the positive expectations of the NBN are far from certain.

'[with] the Gillard Government hitting record uber-lows, it remains extremely likely that, come mid-2013, the NBN project as a whole will be cancelled, chopped in half, dramatically restructured, or in the absolute best case scenario, simply delayed significantly as a new Coalition Government carries out that cost/benefit analysis which Shadow Communications Minister Malcolm Turnbull has been talking up for a year now'.

The upshot for infrastructure professionals; well it's unclear at this time but our advice is stick to the areas of demand where salaries are competitive and demand outstripped by supply. These remain in the areas of Storage, Security and Cloud/virtualisation.

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