Tech CEOs Predict Swelled Use of Offshore Talent

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This is a trend they expect to only increase over the next five years, according to 2007 CEO Survey released by Deloitte, a Swiss Verein, May 1.

However, these CEOs also said that they were shying away from doing business outside North America.

"It's not unexpected that CEOs of fast-growth companies would look offshore for the talent they need to continue growing in a tight market," said Tony Kern, managing principal of Deloitte's Technology Fast 500 program.

"What is counter-intuitive is that CEOs' interest in selling to overseas markets is waning, with more than three-quarters of CEOs saying North America represents the best opportunity for significant growth over the next five years. Their interest in Asia Pacific dropped by half to 10 percent from last year - possibly due to intellectual property protection issues."

Sixty-seven percent of the technology CEOs surveyed, consistent with the 66 percent in the 2006 survey, said high-quality employees are the biggest contributors to company growth. Finding, hiring and retaining the best employees, however, is continually their biggest operation challenge, cited by nearly half (48 percent) of CEOs, and up from 41 percent in 2006.

This talent shortage has caused tech-company CEOs to increasingly pull out all of the stops to lure in new hires. Sixty-nine percent said they relied on equity compensation and stock options, though down from 71 percent in 2006; 51 percent offered flexible hours, up from 29 percent in the prior study; and 38 percent offered training programs and educational opportunities, up from 35 percent in 2006. Only 31 percent of CEOs said they offered workers a career path, up from a previous 28 percent.

"When it comes to talent, supply and demand are out of balance, making employees more like consumers," explains Jeff Alderton, a principal of Deloitte Consulting.

"And like consumers, if employees with those in-demand skill sets are not receiving the satisfaction they seek from their work place, they will find it elsewhere - with the competition. This will put an even greater strain on employers for available talent."

Technology CEOs said they are increasingly turning to overseas talent to compensate for this shortage of qualified workers, with nearly half (45 percent) stating they are currently offshoring. This percentage will only increase, as 55 percent of respondents said they are planning to offshore in the next five years, so much so that in five years, 30 percent of these tech-company CEOs planned to have one-tenth (10 percent) of their workers offshore. Twenty-seven percent planned to have up to one-fifth of their work force (20 percent), 19 percent expected to have almost one-third (30 percent) and 15 percent expected to have up to 40 percent of their work force situated in other countries.

Yet, even the technology CEOs who saw a partially offshore work force as the most promising expect that the vast majority of their companies will remain onshore in 2012.

The Deloitte survey also found that CEOs are fairly confident about the continued growth of their companies. Eighty-two percent of respondents said they were very or extremely confident about their business developments.

Virtually all (98 percent) said they will be hiring over the next 12 months. Thirty-seven percent said they will grow their work force 26 percent to 50 percent over the next 12 months, up from 30 percent last year. Half the CEOs said they planned to grow their head count by up to 25 percent, a percentage unchanged from 2006. Eleven percent of tech-company CEOs said they planned to grow their head count more than 50 percent, down from 17 percent from the previous year's survey.

The biggest gripe of technology CEOs was not access to capital, but government regulation and terrorism. Thirty-four percent felt their biggest threat to growth was excessive government regulation, followed by increased competition from emerging powers like China and India (19 percent) and terrorism (18 percent). Access to capital was chosen by only 9 percent of respondents as their biggest concern.

The Deloitte survey is the result of an annual poll administered to CEOs of companies ranked in Deloitte's Technology Fast 500, a ranking of the fastest-growing technology companies in North America.