"Tactics for Combating the Talent War"

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The war for talent is not a new phrase. You have heard it before that the labor market is continually shrinking for those employees with skills your organization needs. But how bad is it and more importantly, what are aggressive companies doing to combat this war?

Forty-three percent of HR professionals surveyed by SHRM indicated that "demographic shifts leading to a shortage of skilled workers" was one of their top 3 concerns that would have a "major impact" on their organization. Fourteen percent indicated that their firm would have to radically restructure to adjust to this fact (SHRM Workplace Forecast 2006). Furthermore, 48% of those surveyed indicated that the number one employment trend most likely to have a major impact on or cause a radical restructuring of the workplace was "a greater emphasis on employers to develop retention strategies for current and future workforce." (SHRM Workplace Forecast 2006)

There is a labor shortage that is driven primarily by a couple of main factors:

- Aging of the workforce
- Fewer college educated people available in the future
- Immigration constraints for highly skilled workers

A primary driver for the labor shortage is the aging of the workforce, particularly the baby boomer generation (those born 1945-1964). This group will be exiting the workforce almost like a mass retirement all around the same time. Estimates put the numbers around 79 million retirees over the next 10 years beginning with those turning 62 years of age in 2007. (SHRM – check?)

In reviewing specific statistics, the picture is bleak. Unemployment rates in the nation continue to drop from 4.6% in December 2005 to 4.3% in December 2006. (Richmond Times Dispatch January 31, 2007) There are several states like Virginia and Hawaii whose unemployment rates are dropping even lower to 2.7% and less. Obviously, for companies trying to recruit talent, there are literally no unemployed people to go after and you have to actively recruit your passive job hunter or revamp completely what you have previously defined as your applicant pool.

In reviewing the available labor pool statistics (Virginia Economic Trends vol.8, no.4, and 4th quarter 2006 report data through September 2006), total employment is 135.6 million. In fact, in 2005 the U.S. added about 1.7 million jobs to its rolls. Yet, when looking at the population growth rates in the U.S.,

they are slowing. Between 1990-2000 total U.S. population grew at a rate of 1.24% compared to 0.99% between 2000-2005. More interesting is that the pool of potential workers between the ages of 20-64 represents about 58% of the population and only 24% of the total population holds at least a bachelor's degree.

Another factor is that although more people are entering college programs, the total number of college graduates is dropping over time. This means that over the next 5- 10 years, companies competing for college-educated talent will climb dramatically.

And lastly, although not much talked about, we have placed severe immigration constraints on our home companies being able to recruit globally. Since the 9/11 terror attack on the U.S., we have increased the security on our borders in terms of immigration policies that *legally* allow foreign workers to come in to our country. The number of H-1B visas for highly skilled workers has shrunk from 200,000 in 2001 to 65,000 a year.

Gideon Rachman in an article titled "How to help the huddled masses through immigration" raised an alarm in that the U.S. immigration experiences found that 66% of foreign travelers agreed with the statement: "If you make a simple mistake or say something wrong to US immigration or security officials, you might e detained for hours or worse". The Discover America partnership has cited that the US' share of overseas travelers since 2000 have dropped nearly 20 percent. Even on the employment front, Rachman noted that a McKinsey report into America's financial service industry warned that New York risks losing its status as the "financial capital of the world" within 10 years. Three triggers were cited, over-regulation, fear of litigation and third was "US immigration restrictions which are shutting out highly skilled workers". Furthermore, testifying before Congress recently, Bill Gates argued that technology companies in the US are suffering from a severe skills shortage and that "America's immigration policies are driving away the best and brightest precisely when we need them most." (Financial Times Tuesday March 13, 2007 p. 13) As a result, companies are forced to expand outside the US for research, development and other skilled areas where the talent is more readily available.

The war for talent is not just a big company fight, it reaches all types of employers – even small employers are struggling to fill jobs. The labor shortage is forcing many small employers to increase wages and benefits that cut into profits substantially. This impacts most states because they are especially dependent on small employers (those with fewer than 500 employees) who provide a large number of jobs for local talent. A study by the National Federation of Independent Business (NFIB) trade group indicated that the share

of small employers planning to hire through early 2007 rose to 19% in November 2006 from just 16% a month before. This was the highest hiring increase since November 2004 (USA Today 1/4/07).

Small-business advisors say many of US' 5.7 million small employers must consider raising wages and adding benefits such as flexible working hours to better compete with big corporations. "This position that you have traditionally paid $12/hour for you're going to need to now pay $14-15 an hour," says Sandra Dickerson, a recruiter and employment manager in California. According to the NFIB, 20% of small employers are planning to raise wages this year up from 18% a month before. Companies that cannot raise wages can offer benefits that are non-monetary based such as flextime and more paid time off.

So what are some tactics that companies are employing to successfully combat this war with no end in sight? Two main tactics will be discussed that at first may appear contradictory, but like any good general knows, there is always multiple approaches to hit the target. The two tactics that will be discussed are:

1. Grow Your Own
2. Intelligent Recruiting

The first tactic is simply what I will phrase as "Grow your own". This basically means retain the talent you have and:

1. Figure out what jobs need to be filled in the future
2. Determine the skills needed to be successful in those roles
3. Select talent with potential
4. Groom them and promote them

Much like you would approach growing an herb garden, start with a seed and nurture and care for it and you will be able to self-sustain your needs much easier and more cost effectively.

The first step is to figure out what jobs need to be filled in the future. Start with understanding your organization's business goals and translate those into the people needed to support and execute those strategies. For example, if your firm plans to expand its technological products into a new area, that probably means that you will need to fill engineering and marketing jobs, which means that the internal and external recruiting processes may need to be revamped, compensation levels examined, and hiring manager skills refreshed. Once you have a long-term plan for the jobs to be filled, next you need to determine the skills or competencies your employees need in those job categories to be successful. These groups of skills should be defined in terms of specific behaviors or knowledge required. Create a model of what these skills are so

your people can get their arms around it. Then communicate and ingrain it like crazy. Recruit based on skills model -- select, train, develop, set goals around them, and reward for building on them. Think of your competency model as the foundation of your house. It is very important to take the time to select the right ones or you could end up with a crooked house. But if selected well, everything else can be built upon with confidence and consistency.

The next step is to select those employees who may match the skills you identified or have the potential for movement in the organization – up, sideways, even down if needed to fill in those holes easily. When you think of selection – identify executive skills needed but do not confuse them with the skills of effective executives – rather they are a measure of the way our brains manage information and behavior. There are a number of ways to select potential employees (performance evaluation review, assessment tools etc.), but rather than select out employees, try to give everyone an opportunity to demonstrate what they are and can be great at. Focus on matching people with jobs that play to their strengths, not just improving weaknesses. However, make no mistake, it is critical that whatever selection process you choose that the minimum skill levels are met. In fact, selection processes are becoming more focused and screening out workers who do not meet minimum standards or requirements for the job. For example, Toyota, one the most successful automobile manufacturers, has reported that when they hire new employees that "Only 10% of job applicants pass screening tests that include a team-building exercise". (Fast Company, March 2007) They believe that strongly that it is better to take the time to select in the right people to build a great company.

Once you have targeted key employees for potential roles then you need to assess where they are against your competency model and create an individualized development plan. A lot of this information will come to the surface during the selection process, but the point is to make sure you have a clear understanding of what it will take to "grow" this person into the leader your organization needs. Everyone will have different needs. Some may need to build on their strengths even more, while others may need to learn something brand new. Development comes in many flavors but options to consider include:

- Mentors
- Internal/external coaches
- Training - CBTs, webinars, classroom, self paced
- Case study assignments
- Reading
- Temporary assignments to new departments
- Special projects

The critical point with any development plan is to ensure that it is jointly owned by the employee and his/her manager and that it is reviewed on a consistent basis not just put in a folder to collect dust.

Growing your own, is an investment – in time, people, and resources, but it will be a lot easier over the long run than trying to recruit from scratch particularly for leadership roles. Even, arguably the best business school in the country, Harvard University is touting the slogan "Don't Hire Great Leaders, Make Your Own" in an ad they ran in the Financial Times (Tuesday March 13, 2007). In the ad they describe the need to identify true wisdom comes from within like great leaders. They want you to develop the very best kind of talent – the kind that's already been tested by your company.

In order to be able to grow your own, you will have to first be able to retain the talent that you have. So it deserves a short discussion to share some ways to do that. First, you must constantly think non-traditionally about your workplace. You cannot keep doing the same things you have done year after year. The dynamics of the workplace and your workforce are changing too much. Some specifics recommendations follow.

Offer benefits that match your firm's demographics – a younger workforce is more interested in paid time off versus an older workforce who is seriously planning for retirement and needs more 401(k) plan options.

Consider perks that make your employee's lives easier – one in particular that is beginning to take hold is to allow your employees more leisure time at work to accomplish personal tasks. This is particularly important for companies where technology allows the employee to work from anywhere as the lines between home and work are becoming blurred. Employees can and are work/ing from their office, cafeteria, home kitchen, bedroom and even vacation hotel room. Allowing your employees to take care of personal items during the work day can ease a lot of stress and tension in their personal lives. "Cisco hugely embraces the idea that employees can also do personal business in work hours, because so many employees are doing work in their personal hours. Provided their work objectives are met, their personal and work lives will be more harmonious," says John Stewart, Chief Security Officer at Cisco Systems. (Financial Times 3/14/07)

SHRM Workplace forecast 2006 noted the following are Top Actions Organizations are planning to take in response to labor shortage trends discussed above.

- train line managers to recognize and response to generational differences
- plan actively for succession of key managers
- invest more in training & development to boost skills levels of employees
- implement policies aimed at encouraging better work/life balance

- offer employment options designed to attract and retain generations X & Y
- Another tactic that companies are beginning to really invest in is what I will phrase "intelligent recruiting." Intelligent recruiting refers to being extremely innovative, creative and being the first in ways to uncover, woo, and hire the best talent.

Technology trends (check out info from Bernard Hodes) are leading the way in this category. YahooJobs.com and other internet based companies can now provide companies with data on exactly who will be on line searching which sites so you the recruiter can target with laser precision the passive job hunter who will see your ad while he may be checking out the latest NCAA scores. Bingo! (add more here)

Another intelligent recruiting tactic is to pursue early and pursue aggressively the best brains in the world. Open your applicant wide and think globally. The internet makes it simple to do so. My firm recently posted an internship opportunity at a local university and did so through the university's website without ever talking to a career counselor. Not only did we receive applicants from this university, but because of their linked in technology, our posting reach several other universities and we had a much wider pool to choose from.

Other countries are getting aggressive too. "UK employers are becoming like football talent scouts as they seek out the brightest recruits." Alicia Cregg (Financial Times, Wed. March 14, 2007) She describes how a partner at a top law firm in London flew to Australia to hire 7 interns from their best university. His decision to go global to find talent is symptomatic of an imperative driving elite employers in the UK to behave like football talent scouts. Since Britain's universities have not been able to supply enough top talent to keep pace with the demand for top talent, employers need to broaden their recruiting scope.

Just as football teams send out scouts to identify top high school players, businesses are investing in early identification strategies to siphon off the most promising students. Hiring interns often leads to full-time offers of employment and companies avoid the need to go back during the busy employment and competitive recruiting schedules. Ian Walsh head of university recruiting at Boston Consulting Group, London, says "More often than not an intern will accept an offer. It's a chance for us to get really talented people into the system early on." (Financial Times 3/14/07).

With the war for talent not ending any time soon and with the barriers for global talent increasing in the US but decreasing elsewhere, US employers are put n alert to creating their combat plan now. Two approaches are complimentary, focus on retaining and developing the talent you already have to grow your own. And, with the technology trends available, use intelligent recruiting to focus your recruiting efforts and increase the pool and speed for hires.

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