STONEWATER CONSULTING GROUP
TOMORROW'S TALENT TODAY®

As An Employer Will You Profit From The Downturn?

SCG Explores The Winners And Losers In A Recovering Market.

All indications are that the GFC is all but over in Australia. Consumer confidence is up, retail spending (through August and September) was up, interest rates are up – and jobs and employment figures are up.

According to the Olivier Job Index, October, September and August all posted successive monthly increases in online job advertisements (each month up by 3-5%). In addition, the ANZ Job Ad Series has added further weight to the stabilisation trend, posting a steady increase of 4% in August and September.

Even more thrilling was the news from the Australian Bureau of Statistics that there was a drop in unemployment in September. It would appear that this is all good news. Stonewater Consulting Group (SCG) takes a look at what this means for local companies and the impact on HR agendas across Australia.

The "GFC" Effect

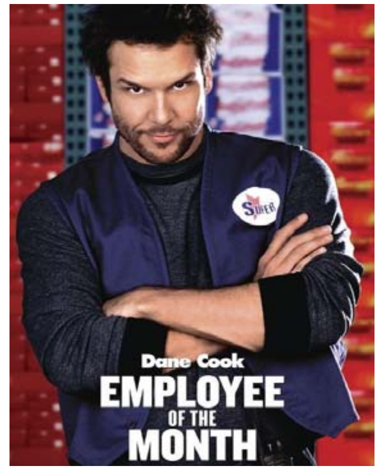
While the market for Human Advisory related consulting is well established in Australia, the GFC resulted in something of "facelift" for the industry and saw clients demanding a more innovative, specialised and relationship driven approach to their human capital issues. The "war for talent" got sidelined by topics around remuneration, corporate culture and values, the role and value of the HR function, and the traits of successful leaders.

These have all been important developments in their own right, but the greatest test of these new developments will be seen when we come full circle; namely, back to attracting and retaining the best people. Whilst the GFC has shifted attention to other challenges, the fact is this has only been a time-out for the "war for talent".

A bit like a time bomb waiting to go off, the "talent" question is coming back to haunt even the most successful performers through the GFC. Why? Because according to a recent survey by Watson Wyatt and WorldatWork (WWW), "engagement levels" of high performers have dropped 25% during the GFC, compared with a drop of 9% amongst other employees.

The reason top performers are particularly disgruntled is two-fold. First, a Harvard research paper pointed out that these A+ employees rely on high quality colleagues to be their best. So although a business may have kept their top performers employed, many of them have witnessed the axing of support staff, the closure of expense accounts and similar supporting infrastructure and are therefore anxious to move on.

The second reason is that during the down-turn many businesses have "shown their true colours", so to speak. When times are good, it's easy to articulate a feel good message to staff. "People first", "humans are our greatest asset", "without our staff, we are nothing"… the list goes on. But as soon as times are tough, it's all too common to see companies focusing on the short-term – i.e. the bottom line – at the expense of the staff.



Whilst grade A+ performers have survived the culling, if they have witnessed a company not walking the talk it's just a matter of time before they move on. According to the same WWW survey, the number of people who said they would recommend that others accept jobs at their companies declined nearly 20% in the last year and more than half said they would look at alternative opportunities once the market picked up.

Focus On Talent

Harvard Business School professor Boris Groysberg specialises in research on workplace stars. He is interested in what makes them tick, but also what makes them successful. If your business relies on high achievers, it's worth hearing what he has to say:

"For managers, it is imperative to understand that stars are not self-contained silos. Producing top-quality knowledge work requires collaboration and flows of information among a network of top performers. That means any one decision on hiring and firing can have a real impact on the performance of top employees in an entirely different part of the firm. It also means that it is not enough to have a few star performers here and there within the organization. If these stars lack high-quality support and information-sharing with other star colleagues, they will have a harder time maintaining their star performance.

Firms that already have a large stable of high-performing individuals might have built a competitive advantage. Their stars make it more likely for each other to sustain top performance. Firms that lack this advantage fight an uphill battle. They can hire or cultivate stars [when times improve], but if there are only a few stars, these individuals will tend to have a tougher time sustaining top performance."

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Companies On Top

It's a bad day when your most productive employees are the ones most likely to be unhappy about what the economy is doing to the workplace. So what are the most successful companies doing to ensure they keep their top talent engaged and safeguard the corporate brand for future pipelining?

●***Communicating*** – sit down with your high achievers and ask honestly what they are feeling and what they believe has been the outcome of the GFC. If they have been troubled by something simple, remedy the situation as quickly as possible.

●***It takes a team*** – despite any one person's individual knowledge, experience, skills and reputation, his or her colleagues will make all the difference for sustaining top performance. Managers need to acknowledge the importance of this support structure and address the problem if a high achiever doesn't believe they can sustain their performance under the current regime (because they are probably right!).

●***Investing in people*** – the companies with the highest engagement results through the GFC have been those that have consistently invested in people with a view that "the good times will come back". Companies like Google, Fedex, and Proctor and Gamble top the list.

●***Act with integrity*** – it is interesting that the GFC brought back into the limelight an ethical dimension of businesses. For example, many companies that had "talked up" their sustainability programs in 2006 and 2007 were conspicuous by their absence when the debate continued through 2008 and 2009. Most business commentators believe that those companies which have consistently acted with integrity (both towards their people, their customers, and the environment) during these tougher times will see the latent "good will" that they have built up transform into improved financial results.

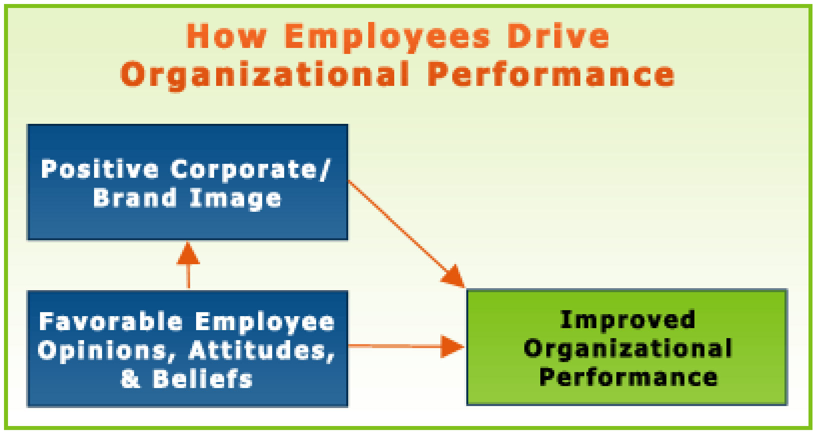
Positioning For Success

History has shown that companies which adopt a long-term perspective during a downturn will usually emerge stronger and more competitive. These positioning strategies need to address 2 critical areas; the credit crunch and the talent crunch.

Having enough money to maintain the business is, of course, essential, but for the longer term the more important question is how to deal with the talent crunch. Successful organisations will be those that have a plan to retain genuine talent and that don't rashly cut back on investment in skills. They will also be best able to weather the storms of recession and be ready to prosper once the deluge has subsided.

According to the Oxford College of Marketing, evidence shows that companies who increased their spend on people and branding activity during the recession in the early 1980s grew an average of 275% throughout the latter part of the decade, compared with 19% growth by those who cut back during the same period.

What this tells us is that whilst recruiting and retaining staff means spending money, which can be stressful when businesses are watching the pennies, the outcomes improve performance and productivity – not just in the immediate term, but also compounded in the future.



Employees who feel loyal to the brand are more likely to embrace change, providing a more flexible and competitive workforce. A company's investment in its staff ensures that the people are motivated, trained, and able to perform to their best.

The loyalty in the business and the brand also reduces churn and acts as a "promoter" when times do improve and companies are fighting for limited talent. All the above will result in lower costs and an increased revenue-generating capacity for the organisation.

Accelerating Out Of The Downturn

In short employers should hold their nerve and focus on retaining talent and investing in the skills of their people. It is these people, with their commitment, productivity and ability to add value, who will ultimately keep individual businesses competitive, and put companies in a strong position to recover from the downturn quickly.

It may be going against instinct, it may be counter-intuitive - but as history has shown, those 'who dare, win'. Historically "winning" companies didn't shrink their visibility to coincide with the shrinking economy.

They made bold moves that helped them capture attention, capture market share, and capture a brand dominance that they've been able to build on ever since. The most forward thinking companies will be those take advantage of the 'downtime' provided by slower trading conditions to look at their skills base, identify the recruitment and training needs and support employees through their development.

Many businesses have already proven that the ROI for aggressive recessionary investment in staff can be huge and long-lasting. It is those businesses that have already accelerated out of the down turn and are the envy of their competitors.

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