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Yes, it will cost more

article By Graeme Codrington

Explore some of the frustrations companies experience when trying to attract and retain talent..

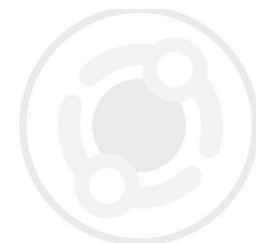


Article at a glance

Attracting and retaining talent often involves looking at everything from terms and conditions of employment, remuneration policies and bonus schemes, to office layout, use of technology, management styles and team dynamics. One of the biggest frustrations is that very often those within an organisation who understand what needs to be done to get top talent to work there are overruled by those who are focused on saving money, efficiencies and creating “lean and mean” environments.

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We live in an era where competitive advantage is found less and less in the products and services a company offers – mainly because the competitors are so closely aligned that the market can't tell the difference between them. We live an era where technology is pervasive, markets open, and global competition the norm. In such an era, the only really sustainable competitive advantage is your people. This is why there is currently a “war for talent” in every industry across the globe.

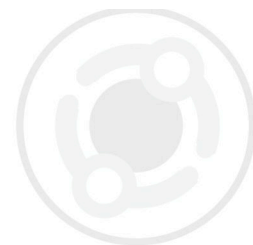
Cut Those Costs

But there are very few companies that spend as much effort on creating an employer brand as they do polishing up their sales brands and adverts. And most of those who do focus on their brand in relation to potential and existing employees tend to see it as a PR exercise, rather than about making a real difference in the working conditions of their employees.

The biggest reason for this is that keeping employees happy costs money. And, since the 1980s, companies have become increasingly paranoid in their aversion to costs. In fact, they have consistently and systematically stripped costs out of the system. At one level, this has been good. There was tremendous corporate excess in the 1980s that needed paring down. But too many companies never identified an optimum cost-value level, beyond which additional cost cutting would destroy capabilities and lessen the company's ability. And so, without a specific goalpost in mind, they have continued to strip costs with little regard for the long-term implications.

A story of a mining town

This has happened in many different ways in virtually every industry. A few weeks ago, for example, I spent some time with the Executive team of a gold mine in a small gold mining town in South Africa's Free State province. Gold mines around the world, these days, tend to be in fairly remote areas, and so small communities spring up around the mines. The mining community used to provide everything a miner and his family would need – from schools for



his children and entertainment venues, to libraries, churches and shops. The community halls and recreation clubs at these mines were the stuff of legends.

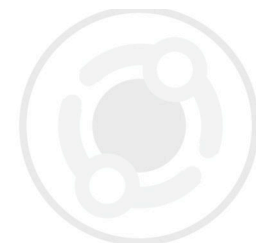
But now, these facilities languish in a state of disrepair, many of them stripped of their vibrant life amidst the peeling gutters, discoloured wallpaper and overgrown cricket pitches. The children of today's miners (many of whom are second or third generation miners themselves) have no interest whatsoever in joining the "family business", and long to "escape" from these small mining towns. Today's miners think back with longing nostalgia to a different time, when the mine was not just a job, but also their whole life. The common refrain is that "its not like that anymore".

The culprit, without doubt, was the cost cutting brigade who stepped in and shut down the bars, stopped tending the lawns and closed the amenities, so they could strip out "unnecessary" costs from the mines. The unintended consequence was to strip the soul out of community at the same time, and now they're battling to attract talented professionals and high skilled staff to work for them. The old attractions – including "a great lifestyle" are not what they used to be.

Its not just about creating a nice place for people to work, though. Its also about having the capacity to actually do your job. In a recent article, The Economist ("Browne Out", 18 Jan 2007) pointed out that oil companies have so stripped out costs and employees, that all their engineers work on the ragged edge of their abilities and capabilities. If (and when!) they have problems, oil companies are unlikely to have the capacity to respond quickly and effectively in emergency situations.

Ruthlessly cutting costs eventually strips out the ability of a company to do what it has to do. It stretches staff, and demoralises them as well, often beyond their ability to cope with situations that arise. In oil companies, as in other industries, this can have catastrophic results, in the glare of public scrutiny. But for other companies, especially in the service industries and professional firms, the results can be equally catastrophic - yet unseen until the company teeters and topples.

Another group company we work with has nearly 20,000 employees spread



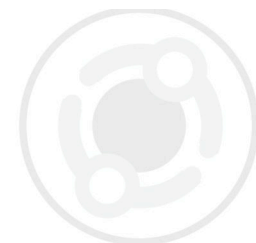
across nearly 20 different companies. Yet, the HR function has about 16 people in it, and has very little budget to do anything. So, their focus becomes managing hiring and firing, doing job function related skills-based training all the while trying desperately to convince the Exco (on which HR has no representation) to release more funds for desperately needed programmes. HR can see that things are slowly falling apart for the people in this group, but are powerless to do anything about it. (And it doesn't help that in the midst of all the cost cutting and efficiency savings, that the CEO was paid a massive, disproportionate bonus at the end of last year!).

This company is still a fairly good one to have on your CV as a young gun starting out in the industry, so they are still attracting some fairly good young talent. But they are battling to retain these young people. This is a problem for the near future. In another of our clients – a retailer – I was working with their senior managers and directors, and asked who was the newest member of the team. Around the table, everyone's eyes swivelled and looked at one guy in his late 30s. It was obvious that he was still seen as the "young gun". When I enquired how long he had been with the company, his answer was, "Seventeen years!". There is a frightening rift growing, as a younger generation of talent is not staying around long enough to make it into leadership.

The Kids of Today!

Of course, its easy for companies like these to roll their eyes and blame today's youth for being fickle and chasing "sexy" jobs. This is the common response: "today's young people... hah!". And this attitude towards the only hope for your company's future just adds momentum to a vicious downward spiral. Young people, just like your children at home, can pick up on bad attitudes, and know when they're not wanted. The only difference is that today's young people don't stick around when they feel unwanted – they leave!

There are many things that need to be done to attract and retain the next generation of talented young people. Their remuneration is obviously important, and you need to ensure the package they're offered is market related. But, this is not enough – it is necessary, but not sufficient to get their interest and keep it. Companies need to invest time and resources (and creativity) into creating an attractive environment and culture for talent. They



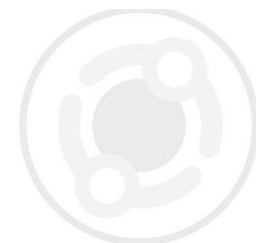
need to put effort into creating an employment proposition, building an employer brand, and essentially capturing the attention of potential employees. Very simply, companies need to be saying to the employee marketplace: “This is what we are doing for *our* staff, why would you work for our competitors?”

Who put the accountants in charge?

A few days ago, I was chatting to a group of acquaintances about what I do. The conversation became quite detailed, with a group of us debating the merits and demerits of specific strategies and tactics companies could use to create the attractive corporate culture I had been talking about. But just as some of us were starting to get excited and creative in our suggestions of what companies could do to gain a competitive people advantage, another section of the group interjected and shut the discussion down. The simple trump card they played? “This is all very nice, but it’s going to cost more, and so companies won’t do it.”

This is the accountant’s view of the world. Costs are bad. Cost cutting is good. People are “human resources”. People are costs. Very rarely do companies analyse the true cost-value ratio of their staff. This would include analysing the cost of replacing staff, the value gained from training, the value gained from improved commitment and passion due to increases (or decreases) in the quality of life of staff – in the office, and away from it – and so on. These metrics would be really difficult to measure, and so we don’t. And because they would be tough to measure, the accountants don’t take them into account during decision making. And so, a vicious cycle ensues.

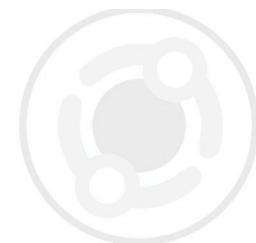
But who said the accountants should have the last word? Who said that cost cutting and efficiency are the ultimate trump cards? Surely “value-add” should be the most important metric in deciding whether a particular activity or programme is worthwhile. And surely long-term thinking should trump short sightedness every time. There is a place for cost cutting, but most companies have taken this too far.



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So, yes, it will cost you more. It will cost you more money than you currently spend if you want to attract and retain the best people in your industry, and get more out of them than your competitors would. It will cost you something to gain and sustain a competitive advantage in your industry. If you can do that, though, then the extra costs will have been worth it.

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