



The job market may be weak, but that doesn't mean your best employees aren't about to bolt. Take a hard look at your hiring and retention strategy.

TALENT AT RISK

By David F. Carr



Most executives pay lip service to the need for talent-driven innovation in their companies, but many aren't driving the hiring and retention initiatives required to make it happen.

Why worry about this now, at a time when the job market remains weak and it's a buyer's market for talented people? Because one out of every two employees is thinking of leaving their company, and about 30% to 40% of the people who are thinking about leaving actually do leave, says Jeff Schwartz, a principal at Deloitte who leads the firm's talent management practice.

Deloitte is predicting a "resumé tsunami" over the next year as employees who've been waiting for the right time to jump to a new job finally make a move, either because they perceive the economy is getting a little better or because they're just tired of waiting.

That spells trouble for companies

whose top-tier employees are their competitive edge. They're the most likely to leave as the economy improves and will be harder to replace.

In a recent survey of 400 senior manufacturing executives, "talent-driven innovation" was identified as the top driver of competitive advantage at their companies. Although that survey, conducted by Deloitte and the U.S. Council on Competitiveness, was specific to manufacturing, the intersection of talent and innovation "is clearly a cross-industry concern," Schwartz says. But there's a gap between the priority companies are placing on talent and innovation and what they're actually doing to drive those two areas, he says.

In a Deloitte survey in November of 325 senior executives, 84% of respondents said innovation is important to their companies, but 57% acknowledged that they don't have a talent strategy in place to drive innovation.

Thirty-nine percent of respondents said they're "developing one," Schwartz says. "That's like saying 'we must be doing it somewhere,'" he says. In other words, they really don't know if their company has such a strategy, and there's a good chance it doesn't.

Also in that survey, 88% of respondents fear they wouldn't have the necessary talent to lead their innovation programs after the recession ends.

Smart companies aren't waiting to find out. Instead, they're making talent management a top priority. When it comes to hiring, they're using this economy as an opportunity to raise the overall quality of their workforces, even if that means firing a few people, says Carol Quinn, a hiring and talent management consultant. And even where that's not practical—say, because of union rules or university tenure—they're incrementally improving their organizations' talent pools by toughen-

ing up hiring practices. “The fact that a low performer left is not a problem. The fact that they were hired in the first place is the problem,” Quinn says.

When it comes to retaining the best workers, the best companies are learning to segment their workforces the way they do their customers, Deloitte’s Schwartz says. In other words, just as Amazon.com offers special discounts and other benefits to its most active and profitable customers, employers can make sure the employees who outperform their peers get the recognition and rewards that will keep them engaged.

Out Of The Bunker

Economic uncertainty has made many employees—both good and bad ones—wary of making a job change. But counting on employees to stick around out of fear is a mistake.

In a survey a year ago, the Corporate Executive Board, a business management research firm, found that one in three employees classified as “emerging stars” felt disengaged from their companies, while 12% of those identified as having high potential for advancement said they were actively seeking new jobs. Scary numbers if you consider how important your top talent is to your company and that such disengagement has likely gotten worse over the past year.

“A bunker mentality only lasts so long,” says Ardine Williams, Intel’s VP of human resources. “We saw this with the dot-com meltdown, where after a while the economic reality becomes the new normal.” That reality underscores the importance of nurturing your workforce, so that as opportunities elsewhere proliferate, your “people are here because they choose to be here,” Williams says.

Intel takes conspicuous pride in the quality of its talent, as reflected in its “Sponsors of Tomorrow” TV commercials, Deloitte’s Schwartz says. In one ad, an engineer is surrounded by adoring technology groupies, as the voice-over says, “Our rock stars are not your rock stars.” Although the commercials were

designed more for general brand-building than for recruiting, Intel has neatly aligned the two. “They’re saying, ‘If you want to be a technology rock star, you want to work for our company. Also, if you want the best technology in the world, you want the technology that’s built by the best people.’ So the linkage between their customer brand and their employer brand is very, very strong.”

The ads are probably more popular inside Intel than outside, Williams says.

HOW TO HIRE AND KEEP THE BEST PEOPLE

- >> Use current economic environment to raise overall quality of workforce—toughen hiring practices and fire underperformers.
- >> Make sure top performers get recognition and rewards they deserve.
- >> Ask employees what their dream company’s retention program would look like and then build it (within reason).
- >> When hiring, key on personality traits and attitudes.
- >> Ask potential hires how they’ve handled difficult situations in the past.
- >> Ask employees and new hires who’s the best person they ever worked with—and then go after those people.
- >> While you’re going after your competitors’ stars, always assume they’re doing the same.
- >> Once you make hires, do all the follow-up and training necessary to ensure they’re in the right jobs. If employees don’t work out, cut your losses quickly.

“We’re a company of geeks, and the goofiness of it resonates with our workforce,” she says. Talent really is the one critical ingredient for Intel’s success, Williams says. “The ingredient we start with is sand, which is pretty unremarkable. We get from sand to microprocessors as the sheer result of talent.”

Keep On Smiling

Talent management issues aren’t limited to geeks and geeky companies. If

your company is driven more by customer service excellence than technological innovation, the high performers you’re after are frontline personnel who can manage a sunny smile on a bad day.

Quinn, whose company, Hire Authority, offers seminars for hiring managers, is a firm believer that identifying the right attitude in a job candidate is even more important than finding the right skills. “Customer service is an area where companies often get this wrong,” she says, perhaps because it’s viewed as relatively unskilled work. Yet if someone isn’t a “people person,” they’re probably not going to become one on the job, she says.

Southwest Airlines is known for recruiting employees with strong people skills and creating a culture that values customer service. The airline seeks people who put customers first, work hard (of course), and persevere in the face of challenges, says Elizabeth Bryant, Southwest’s senior director of talent development.

“You can’t learn that. It has to be innate,” she says, and it’s more important than the specific skills the company may be hiring for. Southwest recruiters typically filter out people who lack the right attitude before they ever get to interview with a hiring manager.

A new hire can easily represent about a \$1 million investment when all costs are considered, Bryant says. That’s money the company will lose if the employee leaves or is fired soon after being hired.

Once hired, Southwest employees are steered through training programs designed to get them off to a good start and advance their careers—even if the position they’re initially hired for turns out not to be a good match. “We have a razor sharp view toward making sure we have the right person in the right position, and if they’re in the wrong seat, it’s our responsibility to move them to the right seat,” she says.

That responsibility extends only so far, however. “We can do everything we can think of to motivate someone, butulti-

mately it comes down to the employee,” Bryant says, adding that if managers can’t find the right fit for someone, it’s their job to let that person go.

Southwest must be doing something right because 87% of employees say they’re highly engaged in their jobs. That’s high for the airline industry, Bryant says, noting that most airlines have double-digit turnover rates, whereas Southwest’s is a little under 5%.

Average Isn’t Good Enough

The initial hire is the key place to start when it comes to talent-driven innovation. If you aren’t bringing top talent in the door, you won’t have any real talent to worry about losing. “At some point, I realized an average hire is one of the worst hires I could make,” says Greg Miller, director of engineering talent at Ultimate Software, an HR, payroll, and talent management software developer. “You’re not going to get that opening again, but the person you hired is going to do well enough to keep the job.”

Arnon Geshuri, VP of human resources at Tesla Motors, agrees. “Hire well at the beginning, and everything else plays out pretty well,” he says. Getting the hiring right also means you’ll have the right people to help design a strong retention program—they’ll help come up with “really cool ideas about building the culture in the company,” Geshuri says. “You get people who will speak up and speak out on what they would like to see in their dream company, and then you can create that.”

Tesla manufactures all-electric sports cars and sells power train components to other auto companies. Before Tesla, Geshuri worked at E-Trade and Google and has found the challenges to be much the same in manufacturing as at Web companies. The best engineering talent usually isn’t necessarily on the market. Instead, you must find those people and recruit them away from their current employers. Only about 15% to 20% of Tesla’s hires come from people sending in resumes, Geshuri says.



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Ultimate Software’s Miller operates much the same way. “Even if a company is laying off 90% of its workforce, they’re going to try to keep that top 10%,” he says. Yes, there are exceptions, where people are laid off regardless of talent, according to other factors like seniority, he says. But most of the time the true stars are ensconced in a good job and have to be lured away.

Formerly a developer and project manager working on Ultimate’s HR and payroll software, Miller switched to recruiting after he discovered a knack for identifying extreme high performers, some of whom proved capable of doing the work of three mere mortals, he says.

One of the ways Miller finds those people is by talking with current high performers, including recent hires who are likely to have friends and contacts elsewhere. “I ask the question, who’s the best person you’ve ever worked with—the one who gets on the most difficult, challenging projects, the one everyone wants to work with because they bring everyone else up?”

That kind of performance can’t be faked, Miller says. When he asks people what their former employers and colleagues would say about their performance, only the ones who’ve been told they do the work of three people even know what that kind of compliment really sounds like. And anyone who tried to bluff would quickly be found out with a reference check, he says.

Tesla makes engineering applicants pass an exam that covers their specific technical competency, Geshuri says. It also has a panel of employees quiz applicants on their knowledge as well as on their participation in specific projects at past employers. The panel then reconvenes privately to compare notes. Just having several people involved makes it easier to identify inconsistencies and discrepancies.

But the most important part of the process is to adhere to high standards, Geshuri says. “Don’t settle for a B player, or someone who’s not quite right for the role,” he says. Better to leave the position open while the search for the right person continues.

Keep The Right People

One important point to remember is that while you’re out recruiting your competitors’ best employees, they’re trying to poach yours. Regardless of what the job market is like, retaining the most talented people should always be a top priority. “Key talent could always leave,” Geshuri says.

Retention deserves particular attention right now. “As consumer confidence rises, critical talent is on the move,” Deloitte’s Schwartz says. “This

is a time to identify who are the people you actually want to retain. Who are the high performers and who are the high potentials you want to keep?" You should be working on a plan that has both financial and non-financial incentives. It won't happen on its own, Schwartz says.

Deloitte's research shows that while everyone agrees on the value of extra pay, corporate leaders and employees often have very different ideas about non-financial incentives. For example, company leaders surveyed thought they could win over Baby Boomers with extra benefits, while the Boomers said what they valued the most was strong leadership. Similarly, corporate leaders thought Gen X and Y workers would be highly influenced by flexible work arrangements, but these younger

workers said the potential for job advancement is more powerful.

Andrew Tabone, a manager of recruiting and career development who's embedded in the information systems department at Carnival Cruise Lines, says one of his best techniques for retaining people long term is getting employees off to good starts. Even before they're hired, he tries to make sure candidates are treated like customers, which among other things means making sure they're informed of the status of their applications and aren't left hanging.

New hires at Carnival go through a 90-day orientation that covers everything from getting assigned a desk and a phone and learning the basics of who to call for help to meetings with managers who ask how the job matches the new hire's expectations. New employ-

ees also get feedback on how they're performing. "It's good to have that early on, so they're not left to wonder," Tabone says.

At the end of the 90 days, every employee meets with the CIO, and one of his standard questions is what did the new recruit think of the recruiting and orientation process. "The typical response is that they haven't experienced anything like that before," Tabone says.

Hiring the right people and then focusing on the basics of treating them right go a long way toward building a committed, loyal workforce that will stick around. If those people are indeed the best suited to driving innovation in your industry, then you'll have a leg up on your competitors.

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UNDERCOVER BOSS

Roto-Rooter Exec Checks Out His Talent

Plumbing services company Roto-Rooter's most important employees are those in the field, president and COO Rick Arquilla says.

"Our brand building comes from every time a customer service rep answers the phone and says, 'Roto-Rooter, how can I help you?'" Arquilla says. Even though Roto-Rooter is an established brand, "that only gets you the first phone call. Beyond that, it's up to the employees."

Arquilla recently got a first-hand look at how effective his employees are when he went on the CBS reality show *Undercover Boss*. Under the guise of filming a documentary about Roto-Rooter's 15th anniversary, the show's producers sent a camera crew out with Arquilla, who played the role of "Hank," the bumbling trainee. He cleared drains, unclogged sewer pipes, and worked in a call center. At one point, he struggled to perform a call center dispatching task because the computer screen was color coded, and Arquilla is colorblind. That system is one he helped design.

The innovation Arquilla looks for is less at the level of big technological breakthroughs and more a matter of

small process improvements. Yes, it's important to have technologists who can come up with new ways to automate processes, he says. But he's also cognizant of the employee who asked why filing a report on a snazzy new handheld computer took so long.

Innovation requires risks, including just speaking up when something isn't working, Arquilla says. Bigger innovations come with bigger risks, and so companies must think about how they treat people who gamble and lose. "Do they get whacked upside the head because they stepped outside the box, made a mistake, and cost the company some money? Or do you pick them up, dust them off, and say keep it up, keep innovating?" Arquilla says.

Roto-Rooter tries hard to find good people, but he doubts there's any perfect technique. No matter how good you are at interviewing, "I'd place the odds at 50-50 at best," he says. For that reason, he tries to do most of the hiring at the entry level, and then promote from within, "because you certainly should know your own employees better than external candidates." —David F. Carr



Arquilla (right) as "Hank" with service technician Darrell Walker