

***The War for Talent, Part II***

August 23, 2005 - Brian Summerfield, Associate Editor

In the late 1990s, there was a talent-grabbing mentality prevalent among companies in general, which used innovative techniques to find and recruit top performers. During the recession that followed, though, HR departments in many businesses departed from this strategy in favor of a bare-bones cost-cutting approach to the workforce. However, the intensity of competition for the best employees is starting to resemble that of the last decade, said J.J. Thakkar, a senior consultant with Capital H Group, a human capital consulting organization.

“The war for talent is back,” he said. “The economy is picking up. People are realizing that the ability to attract and retain talent is one of the top five factors that investment analysts use to evaluate companies. Many companies are relying on dollars as they’re trying to hire and retain talent in the organization, but they are realizing that as competition for talent heats up, they’ve got to look for innovative approaches. They’re digging deeper. HR is looking more at what motivates employees, and they’re realizing that it’s not just dollars.”

Thakkar’s comments are based on his analysis of Capital H Group’s recent study on organizations’ preferred techniques of employee attraction and engagement. The survey involved HR directors and managers at 115 companies that have between 1,000 and 5,000 employees. In both recruitment and retention, money was the number-one factor. Approximately 80 percent of companies report that competitive salaries and rewards are the top method they use to attract top candidates, and that monetary rewards were most popular means of engaging existing workers.

“Employees are going from company to company as an opportunity to not only enhance their skills sets, but also to increase their salaries,” Thakkar said. “They now realize that the old company-employee model is dead—in other words, lifetime employment is no longer there. Employees are wise to play the market to see what they can get. Generally, when we talk about rewards and recognition as a vehicle by which to attract talent, it’s talking about total compensation, so that’s both base and bonus (income). There are two difficulties (respondents) have around attracting talent. First of all, it’s finding the right talent that they need—at the right level and with the right skill sets. The second problem was even if they could find it, they were not able to pay the kind of salary that some of these folks are demanding.

“In terms of paying top dollar to motivate and retain your top talent, I think that’s a bit of a misnomer in certain ways. Employers tend to think that the way to keep employees happy is to always pay them top dollar and keep throwing money at them. That’s not always the case. There are various factors for engagement. All these issues—manager and team feedback, empowerment, more responsibility—are top factors for engaging an employee.”

The second-ranked method of attracting top performers is assisting them with relocation, Thakkar said. “A lot of the companies that responded to this are in high-cost-of-living centers. What the companies have done that’s been innovative is going outside the traditional pools of talent and looking across the country for talent. As a result, they’ve been getting people from lower-cost city such as Dallas and moving them to places like Chicago and New York. They’re offering relocation assistance, in terms of mortgage adjustment, housing assistance and things of that nature.

Whereas that used to be the norm a few years ago for high-levels—we're talking senior executives—it's now spread out to hot-sector jobs such as IT and senior management."

Another widespread approach to recruiting top talent is flexible work arrangements, which are becoming increasingly important as the demographics of the workforce change. As baby boomers begin to retire and a younger, more diverse group enters the working world, work-life balance is emphasized at more companies. "Companies can offer things that are relatively low-cost, such as allowing employees to work at home, that enhance employee engagement and productivity," Thakkar said. "It's relatively win-win for both sides. Employees are increasingly viewing this as a

compressed workweek with four 10-hour days or one day a week where they can work from home to take care of an aging parent or young children."

Like compensation and rewards, training and development opportunities were seen as a key driver of both attraction and engagement. "Companies of all stripes are starting to pay more attention to that, particularly companies that are high-growth," Thakkar said. "You have to be able to work at a company to enhance your skills and make you marketable. Training and development opportunities provide that. It's not only a way to attract top talent, but also retain them. If you look at various statistics, you'll see that the average person at the age of 35 has been through nine different jobs. It's all about what you can learn at your current job to make you marketable to your next employer. Employees who have been there for a while tend to view training and development as being broader skills that they can use and apply in their organization and elsewhere."

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