EUROMONEY TRAINING

TURNING A COMPANY INTO A TALENT MAGNET

INTRODUCTION

People are a company's most valuable asset. They generate ideas, drive innovation and push the business forward. Replacing an employee costs tens of thousands of pounds – if they can be replaced at all – whereas retaining talent generates new value every year.

But the modern worker routinely changes jobs, and wants more from work than just a salary to pay the bills. Success in today's marketplace requires attracting the right people, and keeping them as long as you can.

Success in today's marketplace requires you to turn your company into a talent magnet.

The value of human capital

Human capital is a company's most valuable asset in the modern economy. Up until the 1970s, a company's value was largely determined by tangible assets – machinery, materials, stock. Now that we've transitioned to a knowledge economy, PwC estimate intangible assets make up 80% of a business' value.

Intangible assets make up 80% of business value
(PwC)

31% of CEOs agreed that talent issues had hampered innovation
(PwC)

An asset is classed as intangible if it contributes to the company's value but is not physically recognisable. Intangible assets include:

- Patents
- Trademarks
- Branding
- Reputation
- Business methodology

The term essentially covers all intellectual property owned by the company. In some cases – the most famous being Coca Cola – the intangible assets of a modern business far outweigh their tangible assets. Hardly surprising when so much business is now little more than people working at computers.

All intellectual property is someone's idea. People are no longer replaceable parts in a bigger machine like they were in a traditional manufacturing economy. When intangible assets comprise the majority of a company's value, the people are the machine.

What does this all mean? It means that competitive advantage is gained by attracting the right people. The people who will deliver the best ideas; and investing in them to help them have better ones.

This shift is not lost on employers. 69% of CEOs surveyed by PwC said that innovation leads to efficiency and competitive advantage. A separate survey found 31% of CEOs agreed that talent issues had hampered innovation. Read between the lines and you have business leaders worried about losing traction because they didn't have the right people.

If you want to succeed in today's marketplace, you need to be a talent magnet.

The job hoppers

Getting the right people is one thing. Keeping them is another. The labour force has gone through a major shift in the last half century, from jobs-for-life to job-hopping.

A survey conducted by recruitment agency Office Angels found that in general, employees feel the itch to switch to a new job or even career after 7-10 years. They also found that:

- 44% of all workers (16-64) expect to move 3 to 5 times in their working life
- 57% of Generation Y workers expect to move 3 to 5 times in their working life
- 25% of all workers will aim for 8-12 jobs throughout their career

A workforce study by the CIPD found that job turnover has been decreasing in recent years – having remained largely consistent since the 1970s – meaning people are tending to stay longer in their jobs. However: *"Average job tenure in the UK is among the lowest in the OECD."*

That means businesses face an uphill battle in holding onto talent once they've got it. Companies today have to earn their employees' loyalty.

Most employees feel the need to switch to a new job or career after 7-10 years
(Office Angels)

44% of all workers (16-64) expect to move 3 to 5 times in their working life
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57% of Generation Y workers expect to move 3 to 5 times in their working life
(Office Angels)

25% of all workers will aim for 8-12 jobs throughout their career
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The cost of talent drain

Managers might ask themselves that if switching jobs every year is the new normal, why not let these people go? After all, surely this just means that there's a pool of eager job seekers who will only be too happy to fill these vacancies?

One of the answers is cost. Recruiting is expensive and time-consuming. Even when you've found the right person, they're not going to achieve optimal productivity straightway. And this is before you take into account the future cost to the company in losing a top employee's ideas and potential for further development.

A recent Oxford Economics study estimated the average cost of recruiting a new employee to be around £30,000, including logistical and productivity costs. The majority of the cost comes from productivity losses from bringing a new recruit up to speed.

The study reveals the average time it takes for different workers to reach optimal productivity:

- 15 weeks for a staff member joining from another firm in the same sector
- 32 weeks for a worker from a different sector
- 40 weeks for a new graduate
- 52 weeks for someone coming out of unemployment or inactivity

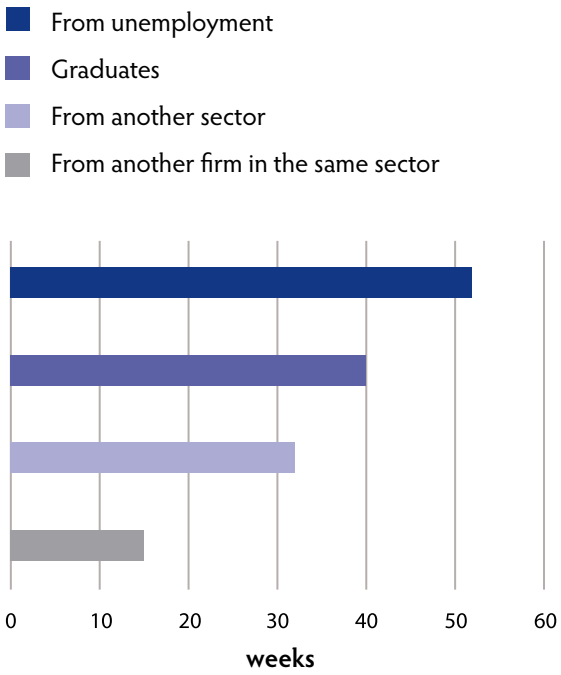
In addition to the months of lost wages, there are an estimated £3,300 in logistical costs (advertising, recruitment agencies, interview time etc.) for SMEs and £5,600 for firms with more than 50 employees.

And the study barely accounts for the less measurable cost of the time recruiting a new employee takes from established staff: the time it takes to review CVs, interview people, discuss candidates, the time it takes out of their productive hours to train them, the time it takes to rectify the inevitable early mistakes.

Further, 'optimal productivity' refers to a worker reaching the standard expected of them – and justifying their salary. But long tenure employees deliver additional gains beyond this thanks to familiarity not just with the sector, but the company – its processes, outlook, the people – and that is harder to replace.

Put simply, the longer an employee stays in an organisation, the more valuable they are – particularly if they remain engaged. Replacing that kind of added value takes far longer than a few months.

Time taken for new employee to reach optimal productivity (weeks)



(Oxford Economics)

Attraction, not recruitment

High profile companies like Google and Apple don't have to recruit, they attract. And they attract the top people in the field. They are talent magnets.

Your company may not have the draw of being at the absolute top of a high profile sector, but you can attract talent. You just have to consider what will make someone want to work for you specifically.

Despite numerous studies, op-eds and think pieces contending that financial incentives don't work – money is a factor. A 2013 Stanford University study found that applicants offered a higher wage for the same public sector job were better quality candidates, *"higher on all desirable dimensions."* And that included public service motivation, dispelling the idea that the higher wage applicants might just be in it for the money.

But this doesn't mean that other factors don't count. Far from it. When NetImpact and Rutgers University asked people which aspects of a job are most important to them in a 2012 survey, the results were eye-opening.

The results below show the percentage of people who say that a factor is one of their top three job must-haves:

- Good compensation 43%
- Job security 38%
- Having a balance between work and other areas of life 33%
- Having a positive work environment/culture 29%
- The ability to grow and learn new skills 19%
- Flexibility in working hours 15%
- Having interesting work to do 15%

The traditional trimmings of a good job – money, security and a positive work/life balance – are clearly important, but they are by no means the only factors that attract employees.

They may be even more important than the figures above suggest, according to a survey by Kaisen Consulting. They asked people the question 'What are the things that make you feel good at work?', and non-financial elements came out top:

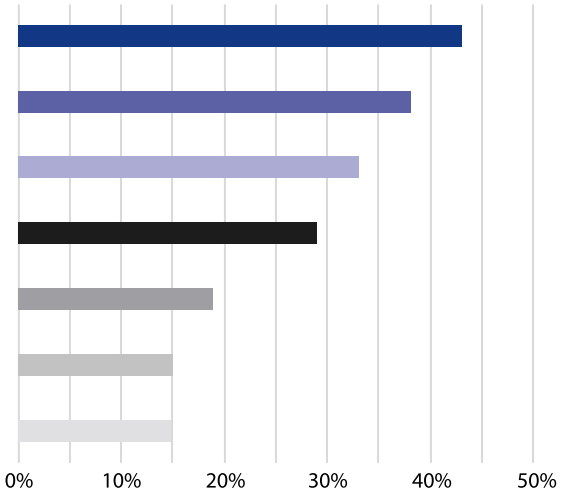
- Achievement 56%
- Working with others 52%
- Recognition 44%
- Helping others 16%
- Varied & interesting work 14%
- Financial reward 14%
- Good working atmosphere 14%

The difference in question is significant, and explains the divergence in results, but both serve to highlight that although money is important, other factors are just as, if not more important in making a job role attractive. And that goes double for Millennials.

"Your company may not have the draw of being at the absolute top of a high profile sector, but you can attract talent. You just have to consider what will make someone want to work for you specifically."

(Stanford University)

What's important to employees?



(NetImpact / Rutgers University)

The Y2K generation

It's widely acknowledged that Millennials – or Generation Y, or 'digital natives' – think a little differently about work to their ancestors. Typified by high levels of education, creativity and digital skills, they are attractive additions to forward-thinking workforces, but have a reputation for being difficult to handle.

By and large, this is because Millennials want different things from work. Deloitte and PwC have both conducted large-scale surveys of Generation Y workers, and both found respondents citing factors such as innovation, social impact and flexibility as what they want from an employer.

From the Deloitte Millennial Survey 2014:

- 78% of Millennials are influenced by how innovative a company is
- 70% might 'reject' traditional business organisation, preferring to work independently through digital means
- 50% want to work for a business with ethical practices

The PwC survey found that:

- 59% of Millennials deliberately seek employers whose CSR behaviour reflects their values
- 52% cite opportunities for career progression as making an employer attractive
- 44% cite competitive wages and other financial incentives
- 35% excellent training and development programmes
- 31% a good benefits package (incl. pensions and healthcare)
- 21% availability of flexible working arrangements

The survey also found 72% made compromises to get into work. Millennials are willing to do so, but clearly have greater expectations for their work-life in the long run.

The bottom line is that if you want to tap into the potential of a younger workforce, you may need to make some organisational changes to appeal to them. Advice from PwC highlights the following organisational factors as being important to Gen Y:

- Opportunity for fast progression based on results – Millennials feel that if they're doing well, they should be recognised and rewarded as such, regardless of tenure or seniority
- Flexible working – if you need something done by a deadline, it shouldn't matter where or how it gets done
- Focus on learning and development - Millennials want a sense of progression, and to feel they are getting more from a job than just money. This includes giving frequent feedback.

All of these goals are arguably valuable in themselves, not just for attracting young talent.

78% of Millennials are influenced by how innovative a company is
(Deloitte)

70% might 'reject' traditional business organisation, preferring to work independently through digital means
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50% want to work for a business with ethical practices
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59% of Millennials deliberately seek employers whose CSR behaviour reflects their values
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44% cite competitive wages and other financial incentives
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Recruiting the right talent

Even established talent magnets have to go through the recruitment process, they can't hire everyone who wants a job with them. Everyone has some talent, you need to hire the right talent.

Define criteria

Define what hard and soft skills your ideal candidate has. Base this on what's required to do the job, and what skills are shared by your top performers. How will you recognise these skills?

Be specific in job description

Once you know what you're looking for, use the job description to convey that. A well-written description will put off the wrong people and attract the right ones. Be specific – if you need someone fluent in HTML, say that. Use the copy to speak to the right candidate. If you want someone with a social conscience, say 'Opportunity to use fluent HTML to make a difference'.

Treat candidates like customers

The best candidates can pick and choose the best roles. Ensure that your recruitment process is set up so that the right candidate is impressed with your business from their very first contact with you. Treat all candidates well, even if they're wrong for you now. Everyone has friends and family, and you want a reputation as a good employer.

When you find the right person, hire them

Keep an open mind about which jobs a potential recruit might be suited for. Look out for candidates who aren't the perfect fit for your role, but who have the skills, attitude and experience that would be ideal elsewhere in your company.

If you find this happening, don't just look over the other roles advertised on your website. Find the relevant person in the department the candidate would be a good fit for, and let them know you've spotted someone with talent. It might not always be possible to hire them straightaway, but a few months later they could be just who your company needs.

When you do find the right person for you role, act quickly to hire them. Remember that it's likely that they're interviewing for other roles too, and if you think that they're a desirable employee, so will other businesses.

Get the process right and you'll generate excitement around the job role, which will carry over to the next vacancy. The recruitment process is an ideal opportunity to establish a reputation as a desirable employer.

Engaging employees

Attracting talent is one thing, keeping it is another. Retaining talent is all about engaging your employees. According to research from U.S. company OfficeVibe, highly engaged employees were 87% less likely to leave their companies. Further, 89% of employers think people leave for more money, but only 12% actually do – engagement is not about money, it's about value.

Highly engaged employees are 87% less likely to leave their employers
(OfficeVibe)

89% of employers think employees leave for money yet only 13% do
(OfficeVibe)

Research by Tony Schwartz and Christine Porath for the Harvard Business Review identified four core employee needs:

Renewal (physical)

Employees aren't machines. They need time out to relax and re-energise, so that they can come back to work rested and with fresh perspective. Longer hours do not necessarily mean greater productivity.

Value (emotional)

Employees need to feel valued by their company, that they make a meaningful contribution and aren't just another cog in the machine that could be changed at any point without anyone noticing.

Focus (mental)

Giving employees the chance to focus away from distractions like e-mail and co-workers conversations lets them do more high quality work in a shorter time.

Purpose (spiritual)

People generally seek some sort of purpose in life. Desirable work places give employees the opportunity to feel that what they do has a greater purpose beyond their own immediate self-interest.

When even one of these needs are met, employees report a *"30% higher capacity to focus, a nearly 50% higher level of engagement, and a 63% greater likelihood to stay at the company."* And there is a cumulative effect of meeting employee needs – the positive impact rises with each need met. Meeting a single need reduces people's stress levels by 6%, meeting three by 30% and all four by 72%. Meeting one need increases engagement by 50%, meeting all four by 125%.

Valuing talent

In reality, meeting one need is likely to positively impact another. They are not mutually exclusive. However, each one requires its own practical steps. Renewal and Focus are the simpler needs to meet from a practical perspective, though they may require a culture change.

Renewal means respecting employees as human beings. Taking a negative view of consistent long hours. Taking a positive view of breaks to rest, eat, exercise.

Focus can mean anything from discouraging internal emails in favour of face to face conversation, providing more private space for individual or group work, allowing remote or home-working.

Value and Purpose require more structural change to meet, but are arguably more valuable, tapping in to deeper, long-term needs than the comparatively day-to-day Renewal and Focus.

Employees can be made to feel valued in a number of ways. Regular feedback is important. Ensuring ideas are listened to, and even responded to by those further up the chain – using an informal or formal mechanism. Financial or non-financial bonuses in recognition for good work. Promotion or extra responsibility in response to consistent achievement.

Flexible working, and the autonomy it implies, signals trust from the company and the intrinsic importance of the work being done – rather than simply fulfilling mandated hours. Its availability should be made clear. A 2014 CIPD survey found 42% of workers *"want to work flexibly now"* and 70% would like to work flexibly at some point. However, although 91% of managers were willing to talk to candidates about flexi-time options during recruitment, only 25% of vacancies explicitly stated so.

42% of office workers want to work flexibly
(CIPD)

70% would like to work flexibly at some point
(CIPD)

91% of managers were willing to discuss flexi-time options during recruitment
(CIPD)

25% of vacancies explicitly stated flexi-time option
(CIPD)

Employers with the most engaged employees were 22% more profitable than those with the least engaged
(Employee Engagement)

Purpose may differ from employee to employee. Some may be satisfied by simply feeling part of something larger – the company. Some may only be satisfied if the company's mission is socially positive. Either way, it's important to explain what part each person is playing in the wider objectives, and ensure they understand what impact their contribution plays so that they feel their work is meaningful.

Purpose can also be more individual. Receiving learning and development investment in the form of training and courses not only improves the skills of staff – and offers a sense of being valued by the company – but helps foster a sense of progression, and that the job is worthwhile; if only because it offers personal benefits in the form of education and transferable skills.

Interestingly, you may notice all these factors were cited as key motivators for Millennials. Accommodating the younger worker will benefit all employees, not just those from Generation Y.

CONCLUSION

The actions a company needs to take to become a talent magnet – attracting and retaining talent – also drive employee engagement, which drives productivity and ultimately, revenue. A meta-analysis of 263 research studies found that employers with the most engaged employees were 22% more profitable than those with the least engaged.

Success in the marketplace has always depended on making the right investments. In today's business environment, the best investment a company can make is in its people.

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