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## READY. SET. RECOVERY!

*Are you ready for the hiring realities of 2013?*

By George Hallenbeck, Ph.D. and Sian Connell

When the recovery finally arrives, what comes next for recruiters and hiring managers? Apparently, many aren't sure. When talent acquisition professionals were asked if they felt their organizations were prepared to begin hiring again once the economy starts to expand, 50% responded "yes" and the other 50% responded a hopeful "maybe" - not exactly encouraging results.

*How do you distinguish who the true talent is amongst the masses?*

Many organizations are anticipating the likelihood of renewing their hiring efforts. Before they begin, they must prepare to enter a decade where they will face new realities and new challenges brought upon by the economic upheaval of the preceding years. Some changes will provide opportunities while others will prove more vexing. Here is a look at eight likely occurrences, their probable impact on hiring efforts and how you can take action to best position your organization for success.

**1. You will be faced with an unusually large pool of available talent.**

In the coming months, unemployment is expected to rise in the range of 10%. Even after the recovery begins, unemployment is anticipated to stay at elevated rates for a considerable period of time. Also lurking in the labor statistics are a growing number of "underemployed" individuals who desire steady, full-time work but are currently working part-time.

At first glance, this may seem like a recruiter's dream come true – unlimited numbers of applicants highly motivated to resume their careers. A closer look reveals some potential concerns. First, how do you distinguish who the true talent is amongst the masses? One of the realities of the recession is that many solid performers lost their jobs – the people you "hated to see go". However, some were seen as expendable because their contribution to the organization just didn't measure up. When their resumes land on your desk, the likelihood is that it will be difficult to clearly tell one category from the other.

The first course of action is to clearly define what you are looking for in a candidate and establish rigorous and reliable ways of assessing those qualities. Identify the key functional/technical requirements as well as the core leadership competencies needed for success and then identify the tools that can measure them appropriately. The primary goal here is precision. As elementary as it seems, the right criteria measured correctly will make the universe of viable candidates

shrink very quickly. Fast, cheap, but inaccurate selection methods may reduce your time to fill and save costs but you may not be filling the role with optimal talent. This may create a revolving door of new hires that quickly wash out. Focus first on identifying the tools and methods that will lead to the best hiring decision, then figure out the most efficient and cost effective way to implement them.

When you are face-to-face with someone who has been out of work for an extended period of time, be careful to not be too judgmental. By the same token, don't let sympathy hold too much sway over your decision. Don't be afraid to ask the applicant about his or her jobless experience. After all, it is now a chapter in that person's career and it is something that we know is often a very significant learning experience for the individual. Probe what the individual has learned, any personal growth that has taken place, and how he or she has approached the process of finding new employment. In many ways, individuals' strategies and behaviors during the job search process (disciplined vs. unfocused; unyielding vs. flexible; aggressive vs. relaxed; creative vs. conventional) offer insight into how they will approach similar ambiguous and difficult challenges in the workplace.

That brings us to another potential complication of a large volume of applicants – just what do you do with all those resumes and the people behind them? Who thought job fairs would have to be cut short or outright cancelled because of overflow crowds or that hundreds of individuals would apply for a custodial job in Ohio? Are your HR systems equipped to deal with that kind of volume? How can you be sure that in your efforts to manage the flow, you are screening adequately or making sound decisions?

To handle all of those applicants without overwhelming your current resources and systems, take the time now to audit your current capabilities and match those against your anticipated hiring demands and the realities of the particular labor pool you are recruiting from. Leverage the best statistics you have available to you and watch the activity that occurs with competitors who may have embarked on renewed hiring efforts before you. If it looks like the wave is too big for your boat, consider upgrading either your systems and/or your people or choose to invest in an outsourced process.

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## **2. You will have a depleted supply of talent in your**

**organization.** In your efforts to cut talent and reduce costs to a necessary level, you may have inadvertently cut too deep or not made the “right” cuts. While these wounds to the organization can be deep, they may not be apparent until renewed demand exposes vulnerability in your talent. Once discovered, they may not be able to be healed quickly. As a case in point, prior to the recession a major clothing retailer started a new business unit to cater to a previously untapped demographic and staffed this unit with some of its strongest talent from existing business units. When things began to falter, a decision was made to shut down the unit altogether. In the process, much of the talent assembled was shown the door, resulting in a significant “brain drain” for the larger organization. This underscores the point that downsizing efforts impact more than the bottom line; they can also have reverberating effects on the organization's future talent outlook.

The potential scope of the problem is greater than just not having enough people to respond to an increase in business. Conditions in your industry may have changed significantly and your business strategy is likely to shift as you embark on a path of renewed growth. Are the talents of the individuals who saw you through the downturn aligned with the skills and capabilities needed to align with the new strategy for growth? Also, as illustrated in the above example, cuts over the last couple of years may have led to critical knowledge and experience leaving the organization. Conversely, promising, newly hired talent may have exited before it had the time to make a significant contribution. Finally, the people who have remained may have been pushed to the limits of their resilience and resourcefulness and there may be a hangover effect as they apply themselves to the new challenges faced as recovery begins.

No matter the particulars of your situation, there is a strong likelihood that you will need to replenish some significant competencies in your workforce. First, conduct a skills audit of your current employee population. Aggregated development feedback data from a cross-section of the organization will provide you with a useful snapshot. Analyze employee data for critical needs such as education, highly specialized functional/technical skills and international experience. Then compare what your workforce currently has with the skills needed to execute the organization's long-term strategy. Is the gap too large to sustain performance? Consider this a “talent stress test” – just make sure that it is rigorous enough.

Also seize this as an opportunity to reflect. Look back on the decision-making process for making workforce reductions. Score your efforts. Were the right decisions made in the right way by the right people at the right time? What worked as planned? What would you have done differently?

### **3. The people you want to keep will not always be the ones**

**who stay.** Take a look around your workplace and you'll see the people who are getting you through the current situation. The core performers and shining stars you have chosen to keep who have made demanding sacrifices to weather the storm. Now imagine if 10% or more of those individuals suddenly left over the next few months. Surprisingly, that just might happen when the recovery takes hold.

Voluntary turnover rates have steadily decreased over the course of the recession. Culpepper noted a decline in voluntary turnover in their 2008 survey of the technology and life science sectors and forecasts a continued decrease during 2009. Similar decreases in voluntary turnover were noted across a broad range of employment sectors in CIPD's annual survey of UK organizations. Radford's survey shows similar trends in most Asian economies.

These figures make sense and are in line with historical trends. An argument can be made that talented individuals can find or create employment opportunities in almost any economy. However, many high-performing individuals who desire new employment opportunities, particularly those with strong sunk costs and considerable downside risk, will "ride the storm out" during a downturn and stay with their current employer until the employment market has stabilized. When the skies brighten, they go out in search of a new place to call home.

Coupled with this trend is a recent research finding that companies who engage in layoffs experience higher rates of subsequent voluntary turnover than companies who do not. Furthermore, the greater the extent of the downsizing, the more people choose to leave voluntarily in the wake of the event. The researchers hypothesize that the higher rate of quitting is attributable to the "shock" effect of layoffs that trigger fear and resentment in survivors and erode commitment, satisfaction, and involvement. Interestingly, the link between downsizing and voluntary turnover was not as strong in companies whose HR practices are historically seen by employees as fair and just. Their long-term faith in the organization's

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policies towards people outweighs the short-term disappointment, anxiety, or anger they experience over the downsizing.

Chances are that your organization has already enacted some measure of downsizing and perceptions of your HR practices are already well formed. So, what are you to do, other than to hope that your high-value talent doesn't bolt for the door once things begin to turn around? First, take steps now to monitor the engagement levels of your remaining workforce, particularly your high-potential talent. Determine what initiatives can be feasibly launched in the short term to shore up engagement weak spots. Next, consider rewarding those whose efforts have gone above and beyond during the downturn. Remember, rewards are as different as people and not everyone responds to monetary rewards or other popular forms of incentive. Also look at reinstating some of the benefits that may have been scaled back during the downturn such as health care coverage and flexible work arrangements. Finally, seize this as an opportunity to build your bench in key areas. If people are at all likely to depart in key roles, you need to have potential replacements at the ready.

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In the event that you do experience a spike in voluntary turnover, don't go into knee-jerk mode and start hiring for every open position. Go back to the lessons you have learned during the lean times you have already experienced and continue to be resourceful in how you deploy the talent you have. Also prioritize the roles that need to be replaced as soon as possible versus those that are less critical.

**4. The requirements for success will change.** Shifting balances in world economic power. The long-term effects of deleveraging in the financial sector. The specter of inflation. Possible leveling off in productivity rates. Forecasted increases in worldwide energy consumption. The emerging role of government in the private sector. These are just a sampling of some of the challenges and changes that businesses may face in the coming years.

Forces large and small have created significant turbulence and ambiguity in almost all markets and there is little end in sight. Staying competitive requires foresight and nimbleness. That means that the abilities of your workforce need to change and adapt to the shifting business climate. So how can you position yourself to hire for the skills most needed for future success?

The process begins with a clear, sound business strategy. Next, identify the core organizational capabilities required to successfully support the strategy. These may include organizational strengths such as execution, innovation, collaborating across boundaries and supply chain management. Once you have identified the capabilities needed to deliver on the strategy, identify the links between the capabilities and individual-level leadership competencies. For example, if your workforce needs to excel in innovation to support the organization's strategy, key competencies required may include creativity, perspective, listening and problem solving. The same analysis can be conducted for functional-technical skills.

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Make a clear-eyed comparison between the competencies required to support the strategy going forward and their current supply in the organization. Of those competencies currently in short supply, consider which can be developed in the short term and those which you will need to hire for. If the competencies you are seeking are also in short supply in the population at large, be realistic about the time and effort needed to acquire them. If the gaps appear both significant in size and difficult to close, this may force a reality check on the chosen strategy. After all, the right strategy is only effective to the extent that it can be successfully executed.

As a broader remedy, consider hiring individuals who are high in what is called learning agility. Learning agile people are effective in learning from their experiences and then subsequently applying the lessons learned to first-time situations. Their active and adaptive learning style helps them to navigate challenges and changes that frequently trip up individuals accustomed to staying within their comfort zones and applying favored approaches. Research has also found learning agility to be an important element of potential and a strong predictor of success in promoted roles. Learning agile people can leverage their strengths in adaptability to stay aligned with (and even lead) the ongoing shifts in the organization's strategy.

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## **5. Perceptions of your employment brand will have changed.**

Chances are that if it has been awhile since you have hung out the Now Hiring sign, potential hires may have changed the way they view your organization. At best, those who have noted your decreased participation in campus recruiting events and other high-profile hiring activities may legitimately ask "Where have you been?" or "What's

changed?” At worst, if your organization has been in the business headlines for the wrong reasons, the question may be “Why would I want to work for you?” Richard Parsons, Chairman of Citigroup, recently reflected on the challenges the organization has faced in recruiting new talent, likening it to a “patriotic calling” to come work for the financial giant.

Seize this as opportunity to reinvent and breathe new life into your employment brand. Carefully consider your Employee Value Proposition (EVP) and the nuances of when and how it is communicated to the labor pool. Recent research by the Corporate Leadership Council supports the benefits of a strong EVP on improved attractiveness to candidates, greater employee commitment and compensation savings. Of course, crafting an effective EVP and distinguishing yourself from competitors is a time-intensive undertaking, but well worth the effort.

Remember, this is a time for humility, not hubris, especially if you have taken some hits in the marketplace and lost ground to more agile competitors. Focus in on the message and listen carefully to what potential hires are saying about how they see your organization. Also listen to what your current employees are saying about their perceptions of the organization. Use this input as a means to reflect on changes that can be made in your EVP going forward. Consider the messenger as well. If those who are willing to critique your organization also possess the skills to effectively manage change, then they just might be productive hires.

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**6. New hire requests will be carefully scrutinized.** One of the principal ways that business leaders have achieved cost savings is through staff reductions. Once growth resumes, it is doubtful that those same business leaders will willingly surrender the cost savings they have achieved by going on a hiring spree. Rather, expect most hiring decisions to require thorough justification. This mindset will likely extend to both permanent, full-time hires and contractors.

While many hiring managers with overburdened staffs will be clamoring for relief in the form of new hires, the conservative approach to hiring that many senior leaders might adopt also makes sense. After all, new hires, especially if they don't turn out to be successful, represent a large expenditure that goes far beyond salary and benefits. Many leaders are also still feeling the sting of being overstaffed heading into the downturn



and aren't eager to repeat the mistakes of the past. Uncertainty over the strength and sustainability of a recovery may also induce higher levels of caution.

That puts the burden on recruiters and hiring managers to make a solid, compelling case for almost each and every new hire. Questions that should be addressed include the following:

- What is the presenting need? Is this a strategic hire or just another pair of hands?
- Is this position really necessary? How will it drive the new strategy? What is the bottom line impact?
- Is there anyone else here who can already do this? Are differentiating skills required?
- What is the probability of success/failure?
- Are there clear, measurable criteria for success?
- Are the resources/systems in place to successfully onboard this individual?

A good starting point for addressing these questions is to assemble key stakeholders to identify the scope of the role, the anticipated contribution to business outcomes and the mission-critical skills required for success.

Once you have the essentials of your case put together, test it out. Is it sufficiently airtight? Are there cost-effective alternatives to hiring a new employee that might also be considered? Are you pitching this in the language of your audience and addressing what's in it for them?

Provided you get the okay to hire, you haven't eliminated all of the obstacles yet; you still have to go out and find the right talent. Make certain you have the sourcing and screening capabilities to effectively acquire the talent you are seeking (See point #1).

Make the most of your investment in your hiring efforts by also ensuring that you have the appropriate systems in place for on-boarding and ongoing development and career management. Optimizing and aligning these systems promotes a consistent fit between talent and requirements over the course of the employee's career life cycle.

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**7. Ambiguity will be the new normal.** A “once in a lifetime” economic downturn certainly means that life has changed, at least for the foreseeable future. Even without the impact of the recession, many forces such as globalization and technology were already converging to make the reality of most jobs more complex and challenging than ever before.

Some executive level jobs have become so difficult that it seems few people are qualified to do them. The ever-increasing levels of C-suite turnover and the rapidly-shrinking average tenure of CEO’s would seem to support this trend. In a recent scientific journal editorial, M. Dale Smalley of Altria Client Services, Inc. even declared the executive job “kaput”, claiming that “the traditional executive role in big organizations is becoming too hard for mortals.”

While this opinion may be at the extreme, it certainly raises the issue that it takes a certain unique type of individual to succeed in today’s business climate, particularly at higher levels of the organization. Given the rapid and ongoing changes in business, it would appear that one of the keys to future success is the ability to effectively deal with ambiguity.

Individuals who excel in dealing with ambiguity are able to cope with change, shift gears comfortably, decide and act without having the total picture and handle risk and uncertainty. These are indeed valuable skills with significant links to performance drivers such as learning agility and emotional intelligence. Dealing with ambiguity is also very difficult to find and hard to develop in people who don’t have it.

So, while dealing with ambiguity may prove to be one of the highest value skills you recruit for, it also represents the proverbial needle in the haystack. Be on a constant lookout for those who excel at it, but also be realistic as to how many of those people you will find. Don’t discount otherwise qualified candidates who are not proficient in dealing with ambiguity. Rather, identify where their skill level is currently at and communicate this to the hiring and HR managers who can collaborate to design a long-term development plan. Finally, don’t just concentrate the search for ambiguity skills at the top of the organization. The skill is mission critical in almost all areas of the enterprise and entry-level employees with a head start on their abilities in this area may prove to be especially valuable resources over time.

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**8. M&A activity will rebound.** Rising uncertainty and shrinking funding have triggered a significant slow down in merger and acquisition activity during the recession. Big deals occasionally happen, but the larger pipeline has shrunk considerably. According to Dealogic, global M&A activity shrank 35% during the first half of 2009.

Once global financial systems regain strength and the apparent winners and losers of the recession begin to emerge, a new round of acquisitions is likely to occur. Of course, such events can lead to any number of internal and external hiring challenges for the companies involved. Redundant positions need to be eliminated. Churn leads to unexpected openings. New business models require fresh talent to implement them.

These challenges can be as dizzying as anything you experienced during the downturn. First rule, stay focused and develop a clear plan. Think through your current workforce situation and forecast your future needs. Ensure adequate transparency and perceived fairness in decision-making. Consider appointing an integration leader for human capital issues to help coordinate communication and decision-making amongst diverse stakeholders. Draw upon the same strengths of resilience and resourcefulness that guided you through the turbulence of the recession.

*So, are you ready?*

Whether you find yourself in the position of feeling more or less prepared after reading this, take this as an opportunity to reflect on all of the experiences, good and bad, that you and your organization have encountered as you have wrestled with talent issues over the last couple of years. Scan these experiences for the relevant lessons, some of them obvious, others more subtle. Then consider how you can leverage these insights moving forward.

Don't stop there. As your organization encounters the opportunities and challenges of the recovery phase, continue to stay open to opportunities for insight and learning. Share your observations and ideas with colleagues and create a dialogue on how to adapt and stay aligned in the new and changing environment. Position yourself and your function to be leaders of change, not just the recipients. Don't look at recovery as a chance to go back to things the way they were. Seize the opportunity to create something better than it was before.

Consider appointing an integration leader for human capital issues to help coordinate communication and decision-making amongst diverse stakeholders.

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### **About Korn/Ferry International**

Korn/Ferry International (NYSE: KFY ), with more than 90 offices in 40 countries, is a premier global provider of talent management solutions. Based in Los Angeles , the firm delivers an array of solutions that help clients to identify, deploy, develop, retain and reward their talent.

### **About Lominger**

Founded in 1991 by Robert W. Eichinger, Ph.D. and Michael M. Lombardo, Ed.D., Lominger produces a suite of competency-based leadership development resources for individuals, teams, and organizations. In August 2006, Lominger joined the Korn/Ferry International family of companies.

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