

[TALENT FUSION]

*Vision Document
Talent Acquisition Challenges in the Early 21st Century*

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Statement of Purpose

The purpose of this document is to articulate the challenges that are looming for organizations relating to talent acquisition and to pose some ideas on how to overcome them. For the past five years, we have gotten a taste of what it is going to feel like in a market where there are simply not enough qualified people to fill the jobs needed to be filled. The recent downturn has caused organizations to stop many of the programs that were starting to show promise in the field of Human Capital Management, particularly in the recruiting side of the house.

The problem is that the last five years were just a preview of the main event. The big game begins when the confluence of normal growth resumption and demographic reality occurs over the next several years.

Hopefully, this document will elevate some awareness and discourse on the subject. There are many issues surrounding the topic of Human Capital Management. Our focus in this paper is on talent acquisition and supply management.

The Landscape

The challenges facing business and government over the next fifteen years are daunting. At a time when Human Capital has become the most critical asset of most organizations, we are today facing severe talent shortages. The primary cause of the current talent shortage has been the explosive demand for Information Technology solutions as a means to gain competitive advantage. In addition, the so-called "dotcom" phenomenon further exacerbated the problem. This gave rise to a flight of IT services firms that supported the "dotcoms" and placed additional severe pressure on the talent market. Even with the recent demise of so many "dotcoms" as well as their supporting services firms, we have not experienced a major up tick in unemployment. Furthermore, many experts argue that we are just entering the early stages of technology investment and utilization and that major breakthroughs are imminent, causing renewed demand for vast numbers of qualified technical and supporting personnel. This, before we even consider the looming demographic realities.

From an already scarce talent situation, we are soon entering a period of explosive shortages due to the retirement of the 65-80 million-member "baby-boomer" generation of employees. Federal government alone will lose 40% of its workforce over the next five years. This will place extreme pressure on the public as well as the private sector. Industry analysts project a 20-40 million-employee deficit by 2005. The speculation on the future of the technology market is open to debate. The demographic realities are inescapable.

McKinsey and Company, in their groundbreaking study "War for Talent", asserts that if the economy grows 3% annually, we will experience 30% job vacancies.

This problem will have a profound impact on organizations over the next fifteen years. The success of the company will be directly tied to its ability to recruit people. What has historically been an afterthought will move center stage as organizations recognize the criticality of winning the "war for talent".

A Business Problem

As industry has shifted from asset-based to knowledge-based business models, the value of intellectual capital has grown exponentially. Talent is the primary asset of most organizations today. Talent is either the means of production in a technology-centric product company or the product itself in the \$500B technology services industry. In either situation, there is now a direct link between the ability to acquire talent and the financial output of the organization.

Furthermore, all talent is not equal. According to McKinsey, so-called “A” players are 50% more productive than “C” players. In a talent-starved knowledge-based market, the already scarce “A” players are even more difficult to find and more critical to the business.

Worse yet, the internet has created a transparency to the market. “A” players know who they are and what they are worth. Determining self-worth is no longer a company held secret. Talent is in greater control than ever before to understand and manage the fair market value for their services.

As a consequence, we have a much more free market atmosphere. Annual turnover levels have reached 30% or greater as average employment tenures dip below 3 years. In fact, it is worse for the “A” players. They have bought into the knowledge game and are the ones who receive continuous training investment from their employers as well as on their own in an effort to remain intellectually current. Ironically, as a result of that investment, the “A” players are the first to exploit the free market recognition of their continuous upgrade in capabilities. The very people organizations strive the most to retain with training are the first to go as a result.

Talented people find themselves in the driver’s seat. They understand their value to their employer. They are not inherently loyal employees and will only work for a firm as long as the work remains stimulating.

All the effort being placed into the retention game may prove moot as talent refuses to comply. “Retention” and “Free Market” rarely work together. At the highest level of abstraction, witness what has occurred in major league sports with the advent of somewhat restricted free agency. Very few players stay, or are expected to stay, with any one team for their career or even a lengthy tenure. In an unrestricted Free Agent market, as we now have in everyday business, organizations will be facing a revolving door with their very best talent.

This is all having a profound business impact. Talent is scarce and fluid. The organization’s ability to create new products and services is tied to retaining talent. The revenue, earnings and market value of the organization is directly tied to its ability to create new products and services and markets for those products and services. Therefore, the financial future of the organization is dependent on the strategy it deploys concerning talent.

Talent management will determine success or failure for organizations in the early 21st century.

The Historical Response

Organizations are not accustomed to chasing talent. They are not accustomed to the notion that talent is the key asset of the organization. They say the right words about talent, but rarely do their actions support those words. They bury the recruitment function under an already overworked and underpaid Human Resources department. HR is overhead. HR is administrative. Recruitment is only one of many equally important things on HR’s plate. And yet, this is where the recruitment function is placed even given the looming business problem that will be caused by failing to execute a world-class talent acquisition program.

This implies no disrespect for the Human Resources function. HR performs many essential functions for the organization. It is to imply, however, that the function of talent acquisition is different than HR and that it requires deep understanding of the recruiting process to be successful.

Nevertheless, recruitment is placed into Human Resources.

The Human Resources department many times blurs the line between retention and acquisition by rolling recruitment into a staffing function. Because the HR department is aligned with cost rather than revenue, the function is always under funded and rarely staffed properly. They are always trying to do more with less, but cannot get caught up.

The staffing requirements pile up. In response, a wide variety of techniques such as job boards, open houses, advertising, referral bonuses, job fairs and agencies are utilized. If they are lucky, they get a section on the company website and an applicant tracking system. Rarely are these events and tools connected into a process that facilitates continuous hiring and a systematic method of talent supply management. It may be difficult to track costs, cycle times, hiring throughput from different sources. It is certainly not equipped to build long-term relationships with the talent market to enable proactive sourcing and just in time hiring.

What is created is a very passive and reactive capability that has served the organization reasonably well in times of ample supply. The system is not prepared to wage a “bet the company” battle for talent. Even in the recent few years of mild competition, the big winners have been the outside recruiting agencies that know how to wage a battle for candidates and how to build relationships with line management within the firm.

Before it is realized, the Human Resources recruitment capability is working extremely hard just to keep up with managing the requisition and candidate management process. There is very little out reach sourcing going on. There is very little mass marketing and database construction going on. There is no supply chain being established. There is little preparation for the looming crisis being made.

In fact, at the first sign of trouble like a hiring freeze or layoff, the recruiting function is slowed or even shut down.

This pattern is logical on a tactical level, but could prove disastrous in the coming years. The problem is a serious one considering the pressure companies are under to make quarterly earnings. The first inclination is to shut down recruitment. It is altogether natural to do this when there is no pressing demand for outside hiring.

The problem is that it leaves the organization poorly positioned to ramp back up. An extreme case in point is the federal government that expanded its workforce significantly in the seventies, did a great job of retention with generous pension programs, and is now facing 40% attrition all at once over the next several years as that group retires. The government has not had the need to wage a war for talent and, therefore, is not prepared to easily overcome the challenges.

We are entering a business cycle that is unique and long term. Talent acquisition will become a critical business function. Traditional reactive methods will not suffice.

We have been presented with a singular opportunity in the form of the current hiring slowdown and economic turbulence. More people are on the market now than at any time in the last decade. In the face of uncertainty, people are taking a look at their options. It is a perfect time to build relations with the marketplace and capture a private talent supply. Not a public supply like that contained in Monster.com or HotJobs, but rather a personal inventory of talent, with which a relationship can be built. This will enable just in time hiring when it is needed. This will be the basis for an aggressive and sustainable strategy to win the war for talent as it heats up in the coming years.

The future of talent acquisition

While there is no single or simple solution to this problem, intelligent organizations will explore creative ways now to manage the talent shortage of the next fifteen years. Recruiting systems have historically been designed to be reactive in nature. They are really good at responding to demand for talent in within an abundant supply environment. They are ill equipped to pro-actively establish a “supply chain management system” for talent. What is needed is a system now that will position the organization to acquire the talent needed to grow the business over the next 10-15 years. Failure to make that investment now will have a profound negative impact on the success of the organization in the coming years.

There should be an urgency to create the systems today that will enable waging an effective talent acquisition strategy over the next decade. The success of the company or government agency will depend on the quality of the Human Capital Supply Chain Management System.

There is no single solution for all situations. The vast array of applicant tracking systems, internet job boards, on-line screening tools, ASP software solutions, recruitment services providers and agencies only confuse the issue.

We believe the challenge is one of technology, people and process integration.

Technology

Technology presents a tremendous array of tools both in terms of candidate acquisition and retention. There are four tiers of technology that will enable competitive electronic recruitment systems:

- o Open Internet job boards
 - o Monster, HotJobs, Dice.com, Headhunter.net, etc.
- o Private Internet Talent Portals
 - o Hire.com
- o Organization websites
- o Internal database and fulfillment systems
 - o Applicant Tracking, i.e. Peopleclick, Personica, Recruitsoft, etc.
 - o Custom systems

The open job posting boards are important in reaching a high volume of rank and file employee. With one relationship an organization can gain access to millions of resumes. Of course, so can thousands of other companies. Current “A” players rarely post resumes to these services because they simply do not have to. They are in demand. Future “A” players may, however, so the job boards are a great way to populate a database with potential talent.

Down one level closer to the organization is the private internet talent portal. The association of the portal is with one hiring organization that can launch job postings to a private talent supply that has self-selected from an open job board into a private matching service and wants to be notified if the organization has a job that meets their needs. This facilitates a much more intimate level of relationship between potential employee and employer. If used properly, the private talent portals can play an important role in the establishment of a talent supply chain.

The organization’s website is an often overlooked important component in the electronic recruitment system. For most firms, the careers page is the second most visited page of the website behind only the top homepage.

The heart of the system is the database, which acts as candidate repository and applicant tracking system. A great deal of effort has been placed on the applicant tracking elements offered in standard ASP formats with limited candidate fulfillment capabilities or customization. We believe that much more emphasis will be placed on custom systems that are leading edge in nature, completely secure (unlike the ASP) and completely tailored to the specific requirements of the organization's process.

The key is integration. All electronic systems must feed the database. Candidate communications must be enabled electronically. In essence, we must expand the rolodex of each recruiter using digital capabilities. We must enable larger volume routine transactions and allow the human contact to be meaningful. We must add value to the candidate experience. We must use technology to help keep a large population of talent warm until we need them.

People

Ultimately, this is about people. People who must interact with people to make life-altering decisions. Behind the technology must be a well-armed recruitment organization that is fully trained and equipped to wage war. The organization's success may rest on the abilities of these people to articulate a compelling vision as to why a prospective employee ought to accept a position.

We believe that technology should enable people in the execution of direct outbound sourcing. We believe that the best talent is not looking for their next job. It is looking for them. Therefore, if the organization wants to hire the best talent and have more exclusive access to that talent, then it must support some form of direct sourcing strategy in concert with all the other passive means to acquire candidates.

Involving the hiring managers is key. In many organizations, there is a great divide between the hiring manager and the recruiter that supports them in HR. We believe that it is a shared responsibility to close the gap. The recruiter has to become intimately familiar with the business world of the manager and the manager needs to support the process by educating the recruiter and becoming invested in the process. Proper organizational alignment and financial accountability are means to help achieve these goals.

Process

A well defined and agreed upon process will serve several purposes. Key performance metrics will help identify bottlenecks or problem areas in the process. Metrics also establish clear targets for performance management. Problems are revealed sooner rather than later and training or other measures can be applied.

Process is also a framework to define roles and responsibilities. This can help reduce redundant efforts and make for a much smoother recruitment management process. Process can also help define critical training leverage points such as sourcing, candidate management, closing and negotiations, etc.

The Capability Maturity Model, developed by the Software Engineering Institute and Carnegie Mellon University, is widely regarded as the benchmark process improvement toolset. The SEI has recently established P-CMM that focuses on people related processes including recruitment. The P-CMM continuous improvement model takes an organization through a five-step process:

1. Initial
2. Repeatable
3. Defined
4. Managed
5. Optimized

We believe there will be much interest in process improvement programs such as the P-CMM in the coming years. Organizations would be wise to investigate these methods now before it becomes too difficult to implement during the coming busy times.

Conclusion

The most pressing problem that organizations will face over the next fifteen years will be the acquisition of talent. An already short talent supply will be further depleted as the baby boomers leave the workforce. The recent economic downturn and layoffs are not reflective of the coming realities, though companies are dismantling recruiting capabilities and ceasing investment due to tactical cost pressures.

This is going to leave many organizations exposed when the looming talent shortage begins having impact. The reactionary approaches that organizations historically have utilized will not work in a severe talent shortage. Relationships with talent need to be established now in order to harvest a yield later.

Moreover, the organization itself will be driven by the talent shortage to invent itself into a place where talent wants to work. This will require consideration as to the type of work the organization performs, recognizing the type of talent needed to execute the business. It will also require the organization to establish outreach-marketing programs now to ensure that the right messages reach the right ears.

We believe that turnover of the best talent in a talent short market is a given. The primary focus should be on replenishment. Obviously, organizations should do what they can to retain their best talent and make sure their programs are in alignment with industry standards, but the game will be won or lost on the acquisition side, given the free market atmosphere.

We believe the private database is key. The public resume databases serve a purpose, but do little in the way of building intimate relationships with communities of similar people that are likely to someday want to work for a specific organization.

We believe direct outbound sourcing is key. A private database comprised of both internet and direct sourced candidates is exponentially more valuable than a generic database secured through super bowl ads by a job board. A well-executed database cultivation program adds to the value of an organization's private talent database. This activity must occur proactively, long before demand for hiring occurs. Keeping warm a large group of qualified candidates and, more importantly, those that are in the process of becoming qualified is essential.

Internet sourcing, direct sourcing, database construction and cultivation programs are all key elements to a talent supply chain management system.

People, Process and Technology are key constructs of a world-class program to execute talent supply chain management. Structured process improvement programs, such as P-CMM, are important in assuring a well-executed process.

The task of assembling all the ingredients and executing a comprehensive, proactive talent supply chain management program is not trivial. Particularly in times of financial pressure, as we are in today, it is difficult for organizations to prepare properly for the looming difficulties. Ironically, failure to prepare now may cause much greater financial difficulties in 1-3 years when cyclical demand resumes and is further complicated by the beginnings of the baby boomer retirement process.

Organizations would be wise to make investments now. Careful consideration needs to go into the right set of tools, technologies and processes. A well-designed and managed talent supply chain management system becomes an asset to the organization. More importantly, a well-executed system may become the difference between success and failure for organizations in the early 21st century.

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Talent Supply Chain Management Solutions
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