A STRATEGIC RESPONSE TO TIGHT LABOR MARKETS

The Dilemma

People are the key ingredient to an organization's success. At the same time, people and personnel issues are some of the biggest concerns of many organizations today. The continued economic growth in North America has created opportunities for many and a dilemma for some. The dilemma arises from the apparent shortage of qualified personnel for many positions. Some managers may even feel compelled to limit their organizations' growth because of labor shortages. What can a manager do about it?

A Systemic Approach to Dealing with Recruitment and Retention Issues

While these prospects may be cause for concern, there are things that managers can do to deal proactively with the situation. Effectively dealing with staffing problems requires a systemic approach. Managers should consider the following framework for proactively addressing problems:

- Identify the organization's core philosophy;
- Define a vision for the future of the organization;
- Identify present competencies of the organization and its members;
- Identify future competencies required;
- Develop a method to acquire those competencies; and
- Implement, monitor and adjust the approach over time.

Identify the Organization's Core Philosophy

This is particularly important for attracting Gen-Xers. This generation wants to do work that has meaning to it. Working for the sake of work or corporate profitability does not resononate with them.

The core philosophy defines what the organization believes in and why it exists. A set of strongly held core values modeled by management represent a powerful organizational tool. People with values that are quite different from those of the firms where they work probably will not last long. Managers can avoid unnecessary and costly turnover by addressing this at the front end of the hiring process.

> ***Example:*** An Executive Vice President at a Detroit construction management company has his organization's core values printed on laminated cards. When he interviews candidates for positions, he presents them with the card. He asks them to read it. Then he tells them that, if they cannot commit to these values, they probably should not continue with the interview process. His new hires are aligned with his corporate values.

Define a Vision for the Future of the Organization
Managers must have a sense of where they are taking the organization in the future. They must be able to clearly communicate this vision to their people. This is important, not only for Gen-Xers, but for other prospective hires as well. Unless employees know what management sees in the future, how will they make an informed decision as to whether or not they will fit with the organization?

> ***Example:*** Jack Welch, CEO of GE, is clear about his vision, and all of his managers are clear about it. Management's vision of the future has resulted in virtually unprecedented growth in value at GE over the last couple of decades. It has helped to create and maintain a tight organization culture, which in turn supports the vision. People signing on with GE know what they are getting into, and GE has attracted some of the best talent in the world as a result.

Identify Competencies of the Organization and Its Members
Competencies are combinations of knowledge, skills and abilities that add value to clients or customers. For an organization to have a competitive advantage, it should have some unique competencies that are hard to replicate by its competitors.

What is it about your organization and the people within it that make it unique to your customers or clients? If managers can identify these competencies, they can screen for them in the selection of employees and they can direct training dollars to building on them. Adding strategic competencies to employees increases their portfolios of skills and it adds value to the firm. Gen-Xers want to know what's in it for them. Developing marketable skills can be a means of attracting the people you want.

> ***Example:*** A client who runs a very successful executive recruiting firm identified the competencies that separate his moderately successful headhunters from the really great ones. He learned what his clients value in their relationship with his firm. He also learned what competencies make the difference in delivering truly superior service. As he grows the firm, he can use this knowledge to help make better selections of people he hires and to help improve those skills that are the most important.

Identify Future Competencies Required
As a result of management's vision, some new competencies may be required to be developed over time. This requires some serious discussion among senior management in order to project out into the future and identify what will be different about the way business is conducted. It is not a one-day process. Rather, it results from ongoing discussions.

Example: Some time ago, I chaired a committee for the American Institute of CPAs whose charge was to identify the consultative competencies required of all CPAs in the future. The Institute has developed a vision of the future that includes CPAs being more proactive and consultative in their relationships with their clients. We used that vision to drive the identification of the skills and abilities CPAs will need to possess in order to survive and thrive in the long run.

Historically, CPAs have been backward looking, compliance-oriented, technically focused professionals. In the future, they will need skills and abilities in leading change, process facilitation, and communication. This will be quite a change for the profession!

Develop a Method to Acquire Those Competencies

Just as it is important to develop your people's presently required skills, management must develop those skills that will be required of them in the future. This is important to the value-conscious Gen-Xers and it adds value to the users of the firm's products and services. It will increase long run profitability and it will channel precious current resources into strategically significant areas.

Example: A closely held contractor's projected growth in volume is going to require its superintendents and foremen to have far more sophisticated project management skills than they presently possess. It has joined the local Associated General Contractors chapter to access courses that will allow for cost effective skill development of these people.

Implement, Monitor and Adjust the Approach over Time.

In one sense, this step points out the need to <u>make strategic planning an</u> <u>ongoing process</u> rather than an event that occurs once every two or three years. Conditions may change and the organization's response to external conditions must also change. In another sense this step highlights <u>the need for</u> <u>accountability</u> on the part of managers and their people. Clearly defined outcomes with time limits can be developed for any goal, including skill acquisition. Managers must provide leadership in this area.

<u>Other Options</u>

The systemic approach to recruiting and retention can help an organization grow into its vision for the future. As such, it represents a <u>long-term</u> approach to dealing with work force issues. However, while some managers may intellectually agree with the above approach, they may be thinking, "This is great for the long run, but I have problems now—so what else can I do?" The actions outlined below, while being more reactive in nature, may help managers deal with current situations that require attention.

This is not an exhaustive list, but it provides some practical ideas that can have an impact.

- Understand what motivates your people and prospective hires;
- Match people to roles that fit them;
- Make recruiting part of everyone's job;
- Outsource tasks;
- Hire older employees;
- Use the new technology;
- Consider a consolidation or upstream merger; and
- Change business models.

Understand What Motivates Your People and Prospective Hires
We are not all "wired" the same. What motivates one person can seem like punishment to another. One way to get a better understanding of what motivates your people is to perform personality assessments on them. Managers can then individually motivate people to perform necessary tasks. Managers can choose from a number of quality instruments available at a reasonable price. With appropriate training these instruments also increase the self-awareness (and potential effectiveness) of the individuals.

> ***Example:*** The CEO at a ski resort called me in because he was having problems with his CFO. The actions of the CFO had the people in his department ready to leave for other employment opportunities. The labor market in this remote area was such that the organization could not afford a complete turnover of the department. Although he had some interpersonal skills problems, the CFO was an extremely talented, hard working professional. I interviewed the CFO's people and performed an assessment of his style. We then reviewed the findings together. He was shocked to learn that he was having this impact on his people. With some coaching and follow-up, he was able to change his behavior and keep the people he wanted on the team.

Match People to Roles That Fit Them
Some people are more naturally comfortable dealing with the public. Others are more comfortable dealing with back office technical problems. Some are big picture thinkers—others are extremely detail-oriented. It is important to realize the limitations of your people and try to match their roles and responsibilities within those constraints. Managers often try to force a "round peg into a square hole," resulting in financial losses for the organization and career problems for the individual.

> ***Example:*** A company providing services to major manufacturers hired a sales representative who is not performing to expectations. This person is unassuming, (willing to let others take charge—not likely to initiate action on his own),

introverted, careful and methodical. He is very detail-oriented, and finds comfort in policies, procedures and checklists. However, the kind of work this company performs does not lend itself to a one-size-fits-all checklist approach to doing business. His manager has a difficult time getting him out of the office and out on site, calling on customers. This person's traits are almost the exact opposite of those of the successful sales reps in the organization. The manager has to make a decision as to whether this person will ever fulfill the role he was hired for. If not, can he perform a needed function (worth what he presently is paid) in another capacity?

Make Recruiting Part of Everyone's Job

Many experienced managers believe that the best source for finding new, compatible talent is the existing group of people already at the company. Use them to help find your new people.

> ***Example:*** Andy Esparza, Vice President of Staffing at Compaq, has all Compaq executives constantly looking for new executive talent. He believes that great people already have great jobs, so it's up to you to search them out. Look for companies going through tough mergers or facing adverse market conditions—use that dissatisfaction to lure people to you.

Outsource Tasks

Given the present labor market, it may be difficult to find a person who has the right stuff for the position that is open. It may be difficult to shift responsibilities to accommodate personal styles. Outsourcing some work may be the answer. Many organizations are outsourcing back office work to firms that specialize in it, for example. Managers should, however, be careful ***not*** to outsource <u>strategically critical functions</u>.

> ***Example:*** William Agee committed this error when he outsourced project management accounting at the ailing Morrison Knudsen construction company.

Hire Older Employees

A recent edition of *The Economist* featured this subject as the lead article. Disability is not generally a barrier to activity until people reach their mid-70s, according to an OECD report cited in the magazine.

> ***Example:*** Wal-Mart's greeters. Perhaps an older, more experienced employee can fill the position you have open. The work ethic and habits of more mature individuals generally are a real plus for them and their employers.

Use the New Technology
A variety of websites exist that put job seekers and employers together. Some of my clients and I have used MonsterBoard.com recently, for example. More sophisticated sites continue to spring up.

> ***Example:*** CollegeHire.com features one-stop shopping for companies and applicants. It allows employers to save time while getting a look at the strongest candidates.

Consider a Consolidation or Upstream Merger
If all else fails and a manager cannot wait for the long-term, systemic approach to take hold, a merger may be called for. This allows the firm to acquire a systemic approach, assuming the larger organization has one, all at once. It also may provide enough critical mass to help attract the people the firm needs. Of course, many factors, including cultural and strategic fit, should be considered before making such a move. How will the nimble, entrepreneurial culture of a smaller organization mesh with the potentially more conservative culture of a larger organization? Although we have seen a wave of mergers, the jury is still out on whether the roll-ups and consolidations taking place in the health care, accounting, construction and auto dealers' arenas will provide lasting value.

Change Business Models
Who says that you must continue delivering your products or services in the same way you always have? Using technology appropriately and reorganizing work processes may increase profitability and reduce managerial brain damage.

> ***Example:*** Consol Energy, Inc. has invested heavily in technology and equipment, allowing it to mine coal using fewer employees than its competitors. Its cost per ton of coal mined is substantially less than that of its competitors.

The Bottom Line
Managers can deal with the labor shortage in a proactive fashion, using a systemic approach. In the short run, reactive measures may be necessary. Unless the problem is dealt with effectively, management's only option may be to adjust its expectations for the future—an option that is unacceptable to most managers.

Dom Cingoranelli, CPA, CMC is a management consultant specializing in business strategy, growth and performance issues. He helps managers articulate their vision for the future and develop strategies and plans to achieve their vision and improve organizational performance.