

Attracting and retaining talent

Building an exceptional employee base

Table of contents

Growth challenge 2

Growth implies an evolution of resource requirements

Human capital needs change as companies grow.

The right people are always in limited supply

Finding and keeping people with the vision and commitment to create and execute a strategy is as difficult in recessions as it is in expansions.

High turnover disrupts growth

The monetary costs and the impact on corporate culture associated with high rates of employee turnover can be disruptive to a company's growth.

Addressing the challenge 3

Plan for the long-term

Companies need to anticipate their talent requirements and build a brand in the marketplace that attracts this talent.

Establish motivational factors

To attract and retain people who thrive in high-growth environments, companies need to offer competitive salaries and benefits and provide opportunities for professional development.

Monitor progress and adapt

Top talent is susceptible to competitors' recruitment strategies. Companies must be aware of employee demands.

An executive's diagnostic 12

References and related materials 14

Attracting and retaining talent

Building an exceptional employee base

The development and execution of a corporate strategy depends on human capital. Companies need to anticipate their human resource needs, develop motivational environments, and create adequate measurement policies to ensure that they stay ahead of their competitors.

Growth challenge

Growth strategies can be disrupted by a high rate of employee turnover. Companies need to anticipate their human resource needs and develop strategies in order to achieve them.

Growth implies an evolution of resource requirements

As companies grow they require people with skill sets that reflect the company's evolving resource requirements. Growth also requires the creation of complex organizational structures and further departmentalization, which can imply a shift toward greater specialization.

The right people are always in limited supply

Finding and keeping people with the vision and commitment to create and execute a strategy is as difficult in recessions as it is in expansions.

High turnover disrupts growth

Departures can affect morale. They can also draw away customers whose loyalty is placed with an employee rather than with the company.

How do companies identify their critical talent?

Critical talent is the people who create the value that an organization needs to succeed. Answering the following questions can help identify the individuals who represent a company's critical talent:

1. Which strategies, skills, and capabilities are crucial to the company's success?
2. What emerging workforce trends (e.g., supply and demand of engineers) will affect the company's ability to deliver value?
3. Who are the people who support the company's critical talent? Are these supporting people difficult to replace?
4. Within the company's critical workforce segments, who possesses the greatest potential? ¹

Addressing the challenge

A talented human resource base can be a competitive advantage in any economic environment. However, building this base is a challenge when companies are faced with changing internal requirements, increasing employee demands, and competition for employees.

Companies must anticipate their resource requirements and establish a long-term approach to securing them. This includes establishing a brand in the labor marketplace. It also includes investing in talent—just as they would invest in any valuable corporate asset—by providing varied motivational factors. A long-term approach should also include systems to monitor the needs of employees to help ensure that HR policies continue to reflect employee goals.

1. Plan for the long-term

Companies can prepare for future human resource demands by anticipating their requirements in light of corporate goals.

2. Establish motivational factors

Monetary incentives do not foster long-term commitment. To attract and retain people who will thrive in a high-growth environment, companies must offer more than just competitive salaries and benefits. Companies need to build, develop, and deploy motivational cultures that provide employees with opportunities for professional growth.

3. Monitor progress and adapt

Companies need to ensure that their HR strategies are contributing to the achievement of their growth goals. To avoid losing top talent to competitors it is essential that companies remain aware of employee demands.

1. Plan for the long-term

Companies must plan for their future recruiting as necessitated by their corporate strategies (see Figure A). To ensure that they are able to target the right people at the right time and in the right manner, companies need to anticipate their needs and the needs of their employees. Companies also need to focus on specific human resource targets and develop their corporate brands within the labor market.



Understand and forecast the company's needs

Companies need to determine their ongoing resource requirements, while anticipating the skill sets they will need to support their corporate strategy. Using skill databases, companies can analyze the gap between available talent and the talent needed to fulfill their goals. Once this gap has been determined, companies can begin to develop their HR strategies. A long-term HR plan should include an assessment of the relevant labor markets and target existing employees for development, promotion, or inter-functional moves. It should also forecast budget requirements consistent with labor market trends. Companies must keep in mind, however, that rigid adherence to their forecasts can be damaging to their growth plans; they must have the flexibility to adapt to changes in the labor market.

Sears, a large U.S. retailer, has made its people the focus of its corporate strategy by admitting that, “for Sears to be a compelling place for investors, the company must first become a compelling place to shop. For it to become a compelling place to shop, it must become a compelling place to work.” Sears developed a series of required employee competencies that “became the foundation on which the firm built its job design, recruiting, selection, performance management, compensation, and promotion activities.”²

Focus on specific targets

Once companies have developed a long-term HR plan they can begin to target specific individuals and audiences for recruitment. Mass advertising may be appropriate in order to attract candidates to certain positions and roles. However, more targeted efforts are required for skilled workers and executives. In North America, using headhunters and recruiting talent from competitors are accepted practices. However, companies should also pursue other sources of talent, such as educational institutions in emerging markets, the alma maters of their executives, or joint venture or alliance partners.

Recruitment strategies: Examples

To target qualified engineers, IDEO, an American product design firm, sends senior staff to teach in the master’s program at Stanford University. Through their teaching they are able to conduct what amounts to a three-year interview of promising designers.³

Architectural Support Services thought hard about its workforce and realized that it did not need to fill all its positions with highly educated workers. It started recruiting from community colleges instead of elite four-year institutions. The company has been rewarded with a much more loyal and committed workforce.⁴

The goal of HR should not be limited to recruitment, but should also include influencing who leaves the company and when they leave.⁵ CEOs may become uncertain of managers’ ability to grow along with the company at the critical transition point of 30 to 50 employees.⁶ Companies may need to identify and release under-performing managers. This is a difficult task, but it can be essential to a company’s ability to attract and retain critical talent. Generally, high performers are attracted to companies populated by other high performers who can provide intellectual stimulation and mentoring.

Different employees require different retention efforts:

- Heightened retention efforts: employees who are essential to the health of the firm, such as an engineering genius or an inspiring leader.
- Average retention efforts: employees with specific skills, such as members of a team responsible for the creation of a new product.
- Minimal retention efforts: employees whose skills aren’t in demand in the market and in roles that require little training.⁷

Develop the company's brand and message

To help attract the most appropriate prospects, companies should state their core values and what they expect of their employees. Companies can use interviews, press releases, and regular operational meetings to make it known that they provide a stimulating work environment.

Building a brand in the labor market can begin by word of mouth by encouraging existing employees to refer qualified friends and relatives. For example, Cisco Systems runs a program called "Make Friends @ Cisco" where employee candidates interact with people who work in positions that are of interest to them.⁸ This provides the company with an opportunity to address outside prospects while reinforcing internal messages.

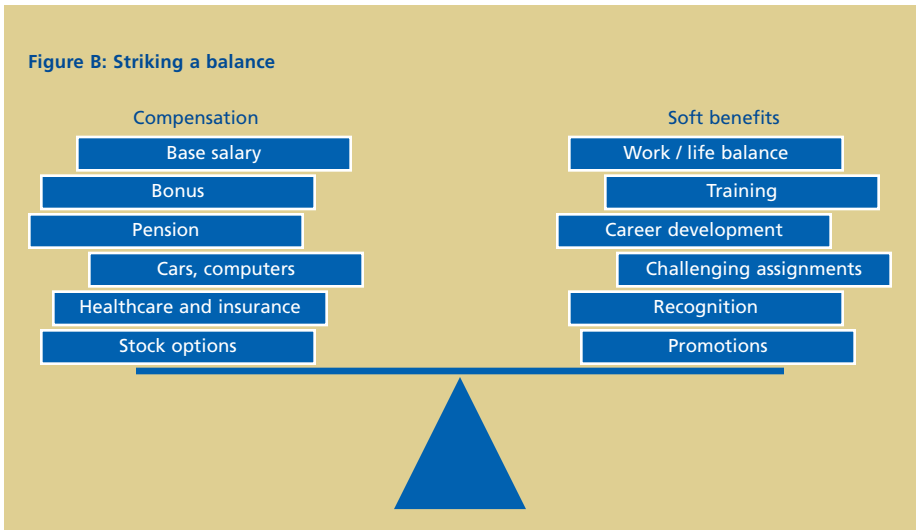
“Employees look for opportunities for career development, responsibility, and professional satisfaction. Good people like to work for companies with reputations for honor and competence.”⁹

2. Establish motivational factors

Companies must develop employee benefit packages that will establish their reputation as employers of choice. Motivational factors that reaffirm a company's claim of being an ideal employer can be examined under three categories: compensation, culture, and career opportunities.

Design creative and flexible compensation packages

An employee's total compensation should include traditional elements, such as salary, health, and retirement plans, as well as soft benefits, such as opportunities for advancement and flexible work hours (see Figure B). Ideally, companies will satisfy multiple requirements by allowing employees to choose a personalized compensation package from a menu of options.



Manage the evolution of organizational culture

It is essential for growing companies to maintain flexible corporate cultures while avoiding the bureaucracies typically associated with larger, more complex organizations. Companies can foster innovative and empowered cultures by encouraging knowledge sharing, and rewarding creativity and risk taking, while focusing on tangible results.

“Get to know each of your direct reports. Talk to them about their family, their hobbies, and their work, and encourage them to do the same thing with their reports. Many managers are squeamish about interacting with individual employees on a personal level, so when you hire people, don’t forget to tell them you manage by walking around.” ¹⁰

By establishing policies that manage relationships with every employee, companies can build the type of personal and social ties that will increase employee retention. By encouraging groups to form around common interests or goals, companies will also support employee networks that increase knowledge flows and connectedness.

Successful growth companies foster an innovative and empowered culture by:

- Hiring the right people.
- Creating synergistic teams.
- Coaching rather than directing.
- Encouraging knowledge sharing.
- Focusing on outcomes.
- Eliminating barriers and constraints.
- Rewarding creativity.
- Allowing for risk taking.
- Avoiding bureaucracy.

Empower employees and provide opportunities for growth

A focus on professional development is essential to giving employees the flexibility to adopt new roles. Companies can keep their existing employees committed and motivated and attract additional talent by providing mentoring and training programs as well as clear options for career development. Employees should also be allowed flexibility within their roles, such as having the freedom to move between departments and disciplines and choosing their projects.

“A healthy corporate culture exists when individuals feel responsible for their companies, feel empowered, and do not feel bounded by their jobs.” ¹¹

”At Universal Technical Institute, 1,100 employees were involved in creating a new strategy and finding revenue generating opportunities. Employees from all divisions in the company worked together to identify the business drivers, create the strategic plan, devise the leadership principles, set accountability measures, and roll out the communications surrounding the new strategy. Involving employees has had an impact not only on the gross profits (which rose 28 percent in 2001) but also on morale.”¹²

Employee relationship management

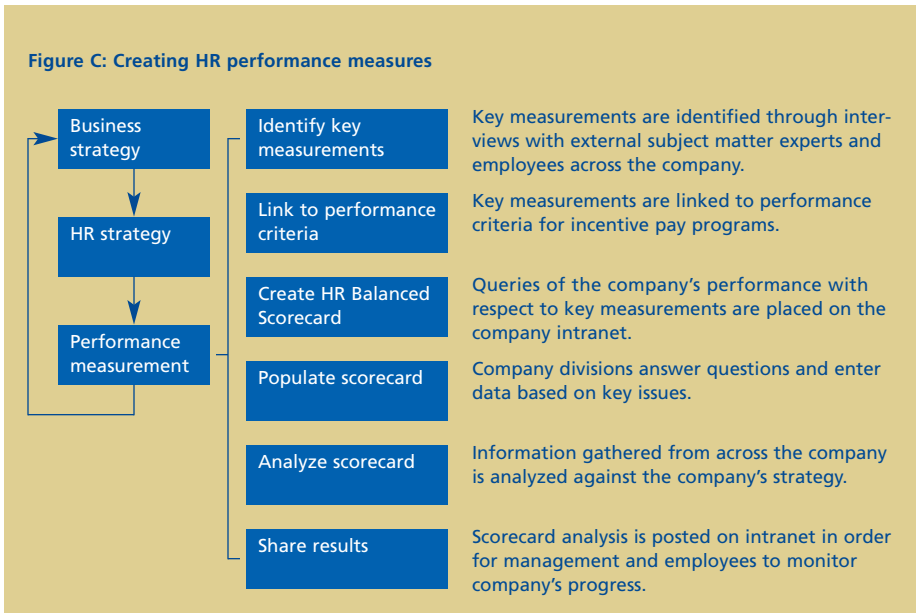
Employee relationship management (ERM) systems, such as those developed by Siebel Systems, Workbrain, and Peregrine Systems, can improve employee performance as companies grow. ERM systems manage individual job performance, deliver online training, and enhance employees' skills. By applying the tools of ERM, companies can improve their ability to attract, develop, manage, and retain employees.

3. Monitor progress and adapt

To ensure that HR policies are responsive to changes in the organization and the labor market, companies need to assess their HR strategy in light of the company's performance and to benchmark their HR plans against those of the competition.

Undertake performance management

A company's HR strategy is its primary employee management tool. The HR strategy must reflect corporate objectives and be linked to company performance (see Figure C). GTE is an example of a company that has implemented measures to link HR success to their business strategy. ¹³ GTE took its business strategy, translated that into an HR strategy, and created a tool—an HR Balanced Scorecard—to measure its success.



One of the measurable targets of GTE's HR performance scorecard, for example, was the company's ability to develop leadership. The company monitored the acquisition of key talent for managerial positions. It also examined the training and development of employees that would fill these positions in the future. As a result, managers were able to track the progress and retention of their employees and forecast specific roles for recruitment.

Benchmark the company

At least once a year, companies should undertake a benchmarking exercise that compares their company with the competition. Various aspects of the organization, including compensation, culture, learning programs, and performance management, must be evaluated.

Figure D: Benchmarking total reward

Criteria	Your company	Competitor 1	Competitor 2
Salaries / wages			
Variable compensation (bonuses, incentives, etc.)			
Equity participation plan			
Retirement / pension plan			
Health, dental, life, and other insurance			
Vacation, paid leave, and sabbatical			
Learning programs			
Lifestyle plans (fitness club, fitness equipment, etc.)			
Flextime, work-sharing, daycare, parental leave policies			
Performance evaluation and promotion plans			
Lateral moves / exploring opportunities			

Adapt to changes in the company and the talent pool

Changes in the economic environment and societal perceptions of work have an impact on employees' expectations. Companies should do the following:

- Ensure that the corporate culture is aligned with the corporate strategy.
- Guard against inflexible policies that hinder the growth of the talent pool.
- Respond immediately to weaknesses and opportunities highlighted by the benchmarking exercises.
- Respond to opportunities that arise from performance evaluations.

An executive's diagnostic

Planning for the future, establishing motivational factors, and monitoring progress in order to adapt to changes in the labor market are key steps your company should take when addressing the challenges of attracting and retaining talent. The following 20 questions will help you evaluate the effectiveness of your plan and identify potential areas for improvement.

Plan for the long-term

Yes | Somewhat | No

1. Are your HR executives involved in your company's strategic planning process?		
2. Do the individuals responsible for recruitment and retention policies understand the company's vision, strategy, and expectations?		
3. Does your company track conditions in the labor market and forecast the availability of necessary skills?		
4. Are incremental headcount requirements and employee turnover anticipated by the company's annual budgeting process?		
5. Do hiring managers support headcount forecasts with detailed functional requirements that outline the tasks to be performed and the skills required?		
6. Does your company engage in formal succession planning for key personnel?		
7. Does your company revisit its attraction and retention strategy regularly in order to ensure that it reflects changes in the company and/or the labor market?		
8. Are your retention efforts focused on high performing individuals and on the jobs that require particular attention?		
9. Does your company communicate its corporate culture and its attractiveness to the labor market?		
10. Does your company have a strong reputation regarding employee benefits as compared with its competitors?		

Establish motivational factors

Yes | Somewhat | No

11. Do your employees' compensation packages balance traditional monetary compensation with soft benefits such as training and work-life balance?		
12. Are your employees' compensation packages tailored to their particular requirements?		
13. Do your managers take the time to personally build relationships with your employees?		
14. Do you provide your employees with options for long-term career growth path?		
15. Does your company have mentoring and training programs in place to enable the development of employees?		
16. Does your company foster an environment in which employees have the freedom to innovate and make key strategic decisions?		

Monitor progress and adapt

Yes | Somewhat | No

17. Do your current performance measurement tools allow you to have a clear understanding of how your HR strategy is affecting the growth of the company?		
18. Does your company conduct a benchmarking exercise to evaluate its compensation structure, its culture, HR programs, and performance management against key competitors?		
19. Does your company perform employee satisfaction surveys to better understand their requirements?		
20. Considering the weaknesses and opportunities highlighted through your benchmarking exercise and employee feedback, do you institute changes to your HR strategy?		

Scoring key:

If more than 75 percent of your answers (16 of 20) are "Yes," then your company is addressing the challenge of attracting and retaining talent. If 50 to 75 percent of your answers (10 to 15) are "Yes" or "Somewhat," there is more work to be done in order to attract and retain talent. If less than 50 percent of your answers are either "Yes" or "Somewhat," your company needs to re-evaluate its approach toward attracting and retaining talent.

Re-evaluate
0-50%

Need more work
50-75%

Ready
75-100%



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How can Deloitte help?

Deloitte can assist senior management throughout the process of attracting and retaining talent by providing expert and independent advice that is practical, proactive, and designed to help stakeholders achieve their objectives in as efficient and effective a manner as possible.

Deloitte can assist in the process of attracting and retaining talent through the following services:

- Providing expertise in the strategic use and management of training with specific attention to the performance, design, measurement, and cost management of corporate training initiatives.
- Helping businesses implement strategic change by identifying and addressing all the people-related factors that contribute to an organization's success.
- Developing and implementing communication strategies.
- Designing and implementing integrated performance and pay programs.
- Providing actuarial and insurance consulting services.
- Designing, implementing, funding, and administering employee benefit and health plans.
- Selecting and implementing leading enterprise software packages.
- Outsourcing the HR function.
- Developing an expatriate strategy.

About Growth, The Executive Series

How do companies achieve value-creating growth? More importantly, how do they sustain it? Deloitte understands the issues companies face as they grow and can help your business meet and exceed its objectives. Deloitte has undertaken research to uncover the secrets of successful growth companies. The result of this research is The Growth System—a strategic framework to sustain value-creating growth that consists of three cornerstones: Strategy, Capability, and Commitment. Growth, The Executive Series, is a set of 13 briefs that explore a selection of key success factors within The Growth System that can help a company sustain growth. These success factors are addressed in each of the following 13 briefs:

Strategy

1. Developing strategic plans
2. Pursuing and managing alliances and acquisitions
3. Core competencies and strategic outsourcing
4. Developing winning products
5. Strategic marketing

Capability

6. Attracting and retaining talent
7. Attracting capital
8. Leveraging technology
9. Managing business risks
10. Global expansion
11. Designing the right organization

Commitment

12. Creating the right leadership
13. Fostering an innovative culture

Notes

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