

WHITE PAPER

War for Talent or Battle for Survival?

**Survive the Downturn &
Create a Combat Ready Workforce**

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Introduction

This white paper outlines the talent management challenge facing Australian organisations and makes recommendations for creating a combat ready workforce to survive the downturn, while developing strategies to prosper in the long-term war for talent. 2009 heralds a new battle for survival and Australian business leaders are faced with a delicate balancing act – how to cut labour costs while motivating remaining staff, and protecting hard won employer brands. As business shapes up for the battle, it's time to ask: Is your workforce combat ready?

The Leadership Challenge

As Australia faces rising unemployment and industry scrambles to arrest declining revenues amidst record low business and consumer confidence, it's easy to understand why some business leaders believe the war for talent has been replaced by the battle for survival. Salary and hiring freezes are already widespread, with companies in the hardest hit sectors – financial services, manufacturing, retail and tourism – forced to implement staff redundancies.

Despite the serious impact of the global financial crisis, this downturn is taking place in a broader employment context not seen in previous Australian recessions. Pent-up demand from sustained skills shortages means finding top talent is still a critical priority for organisations in counter cyclical sectors for the remainder of 2009/2010. Beyond tomorrow, as other sectors emerge from recession, our nation will continue to face ongoing and unprecedented challenges in the supply of skilled labour. The next 10 years will see a massive growth in the proportion of Australian workers aged over 45 and more people will leave the workforce than enter it, for the first time in history. These medium-long term demographics are largely unaffected by economic cycles, so it's imperative that employers take a long term strategic view, even if short-term restructuring is unavoidable. Carefully consider how to staff the critical management and front line roles that will help your organisation retain competitive advantage and ride out the downturn with employee and customer relationships still intact. Ensure cuts are targeted to areas that have the least effect on those relationships and remember that top talent will be integral to your rate of recovery as market conditions improve.

In addition to demand challenges, some of the seismic demographic changes in candidate supply are currently being masked by the downturn. According to the latest research on industry preferences for graduates, the number of graduates wanting to work in banking and finance has fallen by 34%^a in two years, with 38% of Generation Y university graduates ruling out a career in these sectors altogether. Additionally, 46% of current graduates from Australian accounting courses are international students who will return to overseas markets. These underlying trends represent the first signs of a looming and significant talent gap for core Australian business sectors.

The Downsizing Dilemma

While the scale and speed of the downturn may make downsizing inevitable, companies must also consider the potential costs of reduced productivity, morale and employee engagement. After all, it's those who remain after the axe has been wielded that business leaders will rely on to fight for their survival. Evidence that downsizing can produce more headaches than it relieves can be found by looking at the impact on companies who downsized in the 1990's recession. A survey of 700 US companies^b that downsized between 1989 and 1994, revealed that while 34% achieved productivity increases, 30% experienced productivity declines. And while 51% saw profits rise, 30% saw profits erode. Significantly, regardless of whether productivity and profit increased or declined, employee morale plummeted in 83% of the companies surveyed. A stark warning to today's companies set to embark on the same path.

a: High Fliers Graduate Market Report, 2009

b: Impact of Downsizing on US Companies, American Management Association, 1995

If the last decade has taught us anything in Australia, it's that the talent tap cannot be turned on and off at will based on immediate demand. Since the turn of the millennium, Australian companies have invested millions of dollars in building employer brands to help them attract and retain the skilled talent they need to succeed in competitive global markets. Employee engagement research conducted by the Australian Institute of Management^c in 2006 found that a majority of Australian employees now believe they work for a great company and generally have a positive view of their organisation, demonstrating that investment in employer brands has started to pay off. It also reveals that meaning, purpose and relationships are the key motivational influences in retaining top employees. Interestingly, as is the case in many survey findings on employee satisfaction, these factors strongly outweigh pay and benefits as retention factors.

These findings suggest that Australian companies are in a strong position to ask employees to shoulder the burden of the downturn and help them fight the battle. Cutting buying costs and renegotiating supplier agreements across all departments can net impressive savings and make staff feel like part of the solution. Creative alternatives to downsizing, such as freezing salaries, shifting salaries to higher performance-based components, enforcing mandatory leave or reduced working hours, could be a better short-term strategy for the long-term health of many workforces. This is particularly true for medium sized businesses in niche or counter cyclical industries, who will be flexible and nimble enough to refocus operations on new growth opportunities. Sectors bolstered by public spending such as building and construction, infrastructure, telecommunications and transport, will also benefit from this approach.

Balancing Uncertainty and Opportunity

While silver linings may be few and far between, the recession offers these same organisations the best opportunity in over a decade to take top talent off the market. Highly skilled professionals may have been made redundant from large competitors or be returning to Australia from decimated international markets with valuable experience. It's worth remembering that companies who prospered in the wake of the 1990's recession did cut operating costs, but continued to invest in two key areas – marketing and top talent. Businesses who mimic their behaviour will be well placed to grow and take market share once the upturn begins. Those who cut too deep and abandon the foundations of their culture will be floundering – struggling to compete and facing the challenge of rebuilding their workforce all over again.

In a recent survey^d of some 450 Australian employers conducted by LINK Recruitment, 72% agree that the economic downturn offers one of the best opportunities to recruit top talent in over a decade, and 81% believe that attracting top talent to critical management and front line roles will help their organisation survive the downturn and prosper when markets improve. Despite this, more than 70% say their organisation is not planning to recruit more permanent or temporary staff in 2009. Worryingly, while 80% say that senior managers are demonstrating strong leadership in tough times, 54% of organisations surveyed have no strategic plan in place to attract top talent as part of restructuring activities. No doubt the pressure to cut costs means that some organisations will be unable to take advantage of the long awaited shifts in labour supply. However, those in counter cyclical sectors with good medium term growth expectations, and those looking to take market share from competitors, cannot afford to miss this rare opportunity to attract top talent from local and international markets. To help employers navigate the talent management challenge and survive the recession, our recruitment specialists have compiled their advice for creating a combat ready workforce.

1. Refocus the Mission

Tough times are a great opportunity to review your talent strategy and refocus staff on your core mission. Think strategically about how to staff critical management and front line roles that impact innovation, revenue and customer satisfaction, even if job cuts are unavoidable in other areas. A new workforce design may be required, setting the framework to motivate and redirect talent towards a new agenda.



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Ensure managers and frontline staff understand the objectives of the new mission, the reasons behind it and what is expected of them to achieve it. Be wary of loading strapped teams with unrealistic goals as part of an ambitious restructuring program. This will undermine your vision and lead to undesired staff turnover and low morale. If ongoing uncertainty makes it difficult to invest in full time staff to address skills gaps, consider taking top talent off the market on a contract basis until conditions have stabilised, seconding top performers to departments in greatest need, or restructuring salaries to include a higher performance-based component in bonuses or shares. These are all effective ways to get your new mission off the ground, while maintaining flexible labour costs. When it comes to staffing key positions, define the roles early and use a specialist recruiter to help you source the best talent in a market that's changing daily in many sectors. Supply of skilled professionals is increasing, but the market is also experiencing an influx of low skilled candidates from the first wave of redundancies. Strong recruitment relationships will help you source the best talent.

2. Review Basic Training

Just as financial management must change with the downturn, so must talent management. During the boom years companies crippled by skills shortages needed to cover all bases, advertising online, in the paper, and working with multiple partners across different recruitment specialisations to ensure they didn't miss out on available candidates. Short lists became one lists or "none" lists and often only a few candidates were interviewed for each role. Promotion and evaluation processes were often cut short by the need to act quickly to secure suitable candidates. Following the sustained economic boom of the past decade, many hiring managers have never faced the particular challenges of recruiting in an employers' market. With unemployment rising and new candidates entering the market rapidly, hiring managers will need to retrain in best practice evaluation and selection techniques such as reference and police checks, behavioural interviewing, skills assessment and personality profiling. Short lists will once again be long, and managing volume candidate response and relationships will be time consuming and challenging. Though high quality talent is out there for the first time in years, overall candidate quality is variable, making a rigorous and proven recruitment methodology more important than ever to ensure the right outcome for employers.

3. Armour the Troops

When times are good, we can become accustomed to 'easy business'. The phones ring with new enquires, customers have money to spend, creditors are patient and staff are satisfied with higher salaries, benefits and perks. One of the first things business leaders often notice in a rapid decline, is that their people are ill-prepared to deal with the demands of doing business in tough times. New skills are needed to proactively and creatively seek out new business, to deal with difficult people, to satisfy customers, prioritise projects and manage reduced teams. Successful businesses will equip staff with the survival skills they need to do battle in difficult conditions over a sustained period. Training and coaching in skills such as time management, self-motivation, networking, knowledge sharing, sales, customer care and communication skills will be essential to surviving the downturn and thriving beyond it. Empowering staff to develop personal and professional resilience in the face of adversity will also be critical to increasing productivity and boosting morale. Later in this white paper resilience expert, Michael Licenblat, shares his experience and advice in his guide to Building Workforce Resilience.

4. Lead from the Front

Leadership will no doubt be the most powerful survival skill of all, but how do business leaders juggle the concurrent pressures of contracting markets and falling profits without taking their eye off staff productivity and morale? First of all, communication is king. It's important to clearly communicate the new mission objectives, survival tactics and measures to all staff. Get down in the trenches with your troops, be honest about the business realities and don't sugar coat difficult but necessary decisions such as implementing redundancies or shutting down specific operations. Share your insights on the cyclical nature of economic downturns with younger staff who may never have witnessed these conditions. Coach managers where required and encourage staff to focus on positive outcomes they can control. Walk the talk, be prepared

to share the pain of salary freezes, get out in the market with customers and continually update teams on business progress. Top performers will share the burden in good times and bad, so actively recruit their support and do everything in your power to avoid compromising the culture and values that attracted talented staff to your organisation in the first place. Our survey findings indicate that Aussie managers are getting it right more often than not, with 70%^d of professionals surveyed agreeing that senior managers are demonstrating strong leadership in tough times.

5. Discipline and Reward

It's one thing to cut costs and ask staff to take on more work and/or responsibility, but many teams will need to develop greater discipline to achieve results in the new economy. Asking frontline staff to contribute ideas for cost savings and revenue generation, then setting goals and targets to keep those ideas on track is a powerful way to get buy-in for necessary business changes, making every department and individual accountable for results. In times like this the realisation of your mission will depend more than ever on unwavering implementation and measurement. It's also a real opportunity to fine-tune all the basics. Check in with customer satisfaction, bolster sales training and make sure production is as efficient as possible. Staffing practice will also require the discipline to properly plan and forecast workloads, as well as commitment to long term strategic projects. It's also vital to reward and acknowledge work efforts in times of adversity. Consider restructuring salary packages to include performance bonuses or incentives designed around the achievement of business recovery criteria, but remember that a sincere thank-you will also go a very long way. Employee surveys consistently find that recognition of work effort is a key factor in satisfaction. The more obstacles that have to be overcome to achieve that work effort, the more the recognition will be expected. Even if you have to scale back employee incentives, conferences or functions, don't do nothing at all. Small, affordable gestures, like managers taking staff for a coffee or hosting a company picnic will be appreciated. Staff will embrace a new workplace austerity if they are well informed and feel part of a team who's banding together.

6. Deploy Reinforcements

In times of organisational change, it's vital to offer reduced teams as much support as possible to maintain productivity and keep staff focussed on constructive outcomes. If job cuts have taken place, some unease and distraction among staff will be unavoidable and they need to know they're not alone in trying to cope with the pressure of change and extra work. At times like this experienced external suppliers can offer great support and become real strategic partners in your recovery, offering both business insight and extra resources to keep projects moving. Right now, internal HR teams will be consumed with a range of change issues, and assessing and short listing candidates for important roles will be more complex and time consuming than ever. Partner with a specialist recruiter who can help you make sense of the rapidly changing labour market and protect your business with best practice methodologies to effectively screen candidates from a growing pool. If budgets are tight take advantage of unbundled services to outsource the parts of the recruitment process where you need the most help. Don't forget to utilise the (often free) advice of external partners and get them involved in your new mission. In boom times they might be just another supplier, but in difficult times they can become a lifeboat for stretched internal teams.

7. Dig In

While no one can be sure how long the downturn will last, resilience and tenacity will certainly be traits of the recession survivors as the recovery is likely to be gradual and staggered across industry sectors. While focussed on the tactics of survival, start planning your growth strategy for when the upturn begins. Competitors will move aggressively to take market share and it will be crucial to have staff and client relationships in great shape before the competition hots up. Consider appointing a business improvement team to weed out extraneous processes that could lead to inefficient labour costs, and get focussed on delighting new and existing customers. Any ground lost due to the recession will be multiplied if you have

to rebuild business critical teams or regain market share. Keep one eye on the macro trends that will affect your business beyond the recession and take steps to capitalise on opportunities and mitigate risks now.

Building Workforce Resilience

Resilience expert and trainer Michael Licenblat, says “managers are now under greater pressure to do more with less, in a business environment that is only going to get tougher. They will face the burden of having to deliver bad news on issues such as redundancies and salary reductions, as well as tackling some seemingly impossible business targets in difficult economic conditions - all of which takes an emotional toll.” Since this sort of pressure isn’t likely to abate over the next 12 months, employees must be armed with the right skills and self-management tools to handle pressure, while remaining productive and effective, so here is Michael’s advice on building workforce resilience. “Simply being smart will no longer be enough to get results. Your team will need to develop resilience and ‘pressure mastery’ skills if they are going to continue to thrive in the new economic environment. Developing workforce resilience is not about team building activities or giving pep talks. Rather it is about building your team’s mental, physical and emotional intelligence, particularly their capacity to flow with, and stay in control of, external pressures”.

“In a corporate environment that is changing at warp speed, performing consistently at high levels is more difficult and more necessary than ever. High performance depends as much on how people renew and recover energy as much as on how they expend it... on how they manage their lives, as much as on how they manage their work. When people feel strong and resilient – physically, mentally, emotionally, and spiritually they perform better, with more passion for longer.”
Jim Loehr and Tony Schwartz, Harvard Business Review

Three key resilience principles to help your team survive and thrive:

Emotional Hardiness

High adrenaline levels from stressful or emotional situations can impair logic and lead to poor decision making. Staff need to take control of their emotional reactions to situations so they stay clear headed regardless of whether they are building rapport with clients, delivering a report, or letting staff go.

Emotional hardiness includes:

- Setting boundaries
- Not trying to be everything to everyone
- Not taking other people’s reactions personally
- Controlling your emotions

Communication Clarity

People are always anxious when receiving feedback, assessment, or bad news. Being able to say what you mean, clearly and concisely, without clouding your message with emotion, whilst listening to your team is a critical skill. Communication clarity includes:

- Speaking straight
- Effective listening
- Concise messages
- Empathy without responsibility

Personal Leadership

Aspiring to meet targets and deadlines with reduced resources compels dedicated staff to exert more energy and sacrifice personal needs such as rest, family time and exercise. Managing time and energy will be the currency of success in tough times. Working stamina comes from correctly allocating and regenerating personal energy resources. Personal leadership includes:

- Energy management
- Mental toughness
- Work-life integration
- Time effectiveness

About the Authors

Jason Cartwright B.Com.

Jason Cartwright currently manages LINK's business operations across Australia, New Zealand and the United Kingdom.

Jason has more than 18 years' experience in the recruitment industry, spanning roles in Australia, New Zealand, Ireland, the United Kingdom, Germany and Eastern Europe. In Australia, he has worked extensively with Government agencies and corporates delivering recruitment solutions to organisations and advising on trends and best practices.

Jason has a Bachelor of Commerce majoring in accounting and organisational behaviour. He worked for two years in chartered accounting before moving into recruitment. His research and experience in recruitment and retention issues see him involved in many seminars and conferences in Australia and overseas. Jason has two children and is a passionate Richmond supporter.

Michael Licenblat B.Sc.(Psych)

Michael Licenblat is a Resilience Expert who teaches people how to become 'pressure proof' and bounce back fast from people pressure and tension in work and life. He believes that motivation and life balance is more about becoming resilient to pressure and expanding your capacity, instead of trying to reduce your stress. With a Bachelor of Science in Psychology and a Diploma in Shiatsu body therapy, Michael has helped thousands of people to understand their pressure profile, better manage their people pressure, and stop 'working themselves to death'.

Michael regularly publishes articles and has delivered presentations to leading Australian organisations. Michael is married to Robyn and spends much of his personal time wrestling with his three little children.

Short Media Appendix: Top 7 Tips in Brief

1. Refocus the Mission

Tough times are a great opportunity to review your talent strategy and refocus staff on your core mission. Think strategically about how to staff critical management and front line roles that impact innovation, revenue and customer satisfaction, even if job cuts are unavoidable in other areas.

2. Review Basic Training

After a decade of boom markets, update your tactics for recruiting talent in a downturn. Rapid changes in labour supply will make recruitment complex and challenging. Rigorous evaluation, selection and onboarding processes are crucial in this market.

3. Armour the Troops

Equip staff with the survival skills they need to do battle in difficult conditions over a sustained period. Empowering staff to develop personal and professional resilience will be critical to increase productivity and boost morale.

4. Lead from the Front

Get down in the trenches with your troops. Be honest and walk the talk. In these conditions there's no such thing as too much communication. Top performers will share the burden in good times and bad. Recruit their support and don't compromise the culture.

5. Discipline and Reward

While focussed on survival, don't forget about troop motivation and morale. You may not be able to do as much to incentivise teams, but don't do nothing. Ask for results and link rewards to future revenue and profitability goals. Negotiate creatively with new and existing employees.

6. Deploy Reinforcements

Managing new staff, candidate networks and advertising response in this market will be challenging, emotional and time consuming. Outsourcing to a trusted partner enables you to benefit from their experience, spread operational risk and scale costs.

7. Dig In

A team that is well selected, equipped, motivated and led will overcome most obstacles, but it will take tenacity to dig in against recessionary forces. Keep an eye on the macro trends that will affect you beyond the recession and take steps to capitalise on opportunities and mitigate risks.

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