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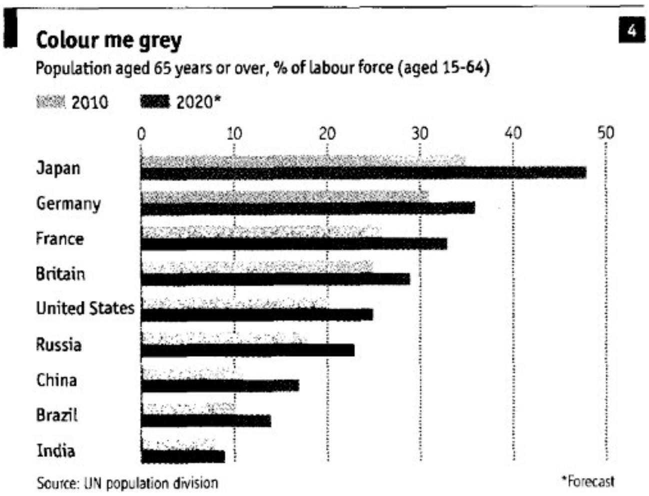
Companies' concerns

Got talent?

Finding the right people is hard enough; keeping them motivated once they are on the payroll is even harder



Colour me grey
Population aged 65 years or over, % of labour force (aged 15-64)
Source: UN population division

Competing to hire the best and motivate the rest

"I'VE GOT 54 post-it notes on my wall on building a community in downtown Las Vegas," says Tony Hsieh. The founder of Zappos, an online shoe retailer now owned by Amazon, is turning the city's old town hall into its new campus, and part of Mr Hsieh's strategy is to engage his staff in helping to revive what was until recently an archetypal run-down urban area, ignored by the millions of tourists who visit Sin City's pleasure palaces. The post-it notes are ideas—how to improve the food scene, get a farmers' market, encourage the arts, build a hackers' space—from Zappos employees, a growing number of whom have moved into the area well ahead of the campus opening in 2013. A regeneration that "usually takes 10-15 years will take five", predicts Mr Hsieh.

Reviving downtown Las Vegas is not an act of corporate social responsibility but part of a strategy to increase his firm's long-term profitability, insists Mr Hsieh. "Vegas can be a hard sell to people who have the stereotypical casino view of it. By developing a tech community, an arts scene, a music scene, we will make it more attractive for the sort of people we want to recruit."

One of his goals is to "increase the number of serendipitous interactions of our staff, inside and outside the firm". At Zappos, dating among employees is encouraged, as is "work-life integration, because if you are going to spend eight or ten hours a day on something, it might as well be with people you like." In the end, "it is going to be the companies that make their employees happiest that will attract the best people," says Mr Hsieh, picking up a theme from his best-selling book, "Delivering Happiness".

This philosophy is taking hold in many of the world's leading firms as they engage in an increasingly fierce war for talent. This is being fought on at least three fronts, each of which requires a somewhat different strategy. The first involves trying to hire the very best people in their field—because they are thought to be potentially far more productive than the merely competent. As Mark Zuckerberg, the boss of Facebook, recently put it, an exceptional employee is "not just a little better than someone who is pretty good; they are 100 times better". Second, some skills are much more sought after than others. For instance, "chemistry graduates are now getting some of the best starting salaries among all graduates," says Andrew Liveris, the boss of Dow Chemical. In emerging markets, the rapid pace of economic growth is creating across-the-board shortages of people with outstanding skills, from accountants to pilots. That makes it as hard to hold on to workers as to hire them in the first place.

According to Manpower, 46% of senior human-resources executives surveyed in the company's latest global annual survey said that their talent gap was making it harder for their firm to implement its business strategy. Only 27% said they felt their business had the talent it needed. And the shortage is likely to get a lot worse because of the imminent retirement of a generation of seasoned workers with sought-after skills in the rich economies. In 2008, one in four workers in America with a degree in science, technology, engineering or mathematics was 50 or over. Lockheed Martin, an aerospace firm, expects nearly half its science and engineering workforce to retire by 2019 and will have to hire a total of 142,000 engineers. Currently only 60,000 engineers a year graduate from American universities.

Money can help, even in Silicon Valley, the home of touchy-feely corporate cultures. Last November Google, which pampers its staff with everything from free food and tax advice to pre-natal classes for expectant fathers, announced a $1,000 cash bonus and a 10% pay rise for everyone, hoping to stem a wave of defections to rivals such as Facebook. The average total starting package for a software engineer in Silicon Valley has risen from $85,000 in 2008 to $98,000 this year, according to Glassdoor, the workplace website. At Google a software engineer can now earn a basic starting salary (before options, bonuses and so on) of up to $151,000, even more than at Apple ($149,000) or Facebook ($138,000), let alone Microsoft ($128,000).

Not everyone is convinced that this star culture is a good idea. "Most of business life isn't really a choice between one great person and 100 pretty good people, but if that is the choice, I'm not sure I'd make the same choice as Mark Zuckerberg—especially if those 100 pretty good people work great as a team," comments William Taylor, a management guru. Marc Andreessen, a venture capitalist who made a fortune as co-founder of Netscape, reckons that income disparity is going to get far more extreme over the next 30 years, mainly because "as market sizes increase, the people who really know how to build businesses and brands globally stand to make a lot more money." Peter Thiel, another 40-something tech billionaire, says that Silicon Valley is starting to overtake Wall Street as the place to make money.

Still, Mr Hsieh is onto something with his ideas on creating a happy corporate culture. "When people are asked to rate the best companies, they increasingly favour those that let them bring their pets to work or spend more time working from home," says Samantha Zupan of Glassdoor. Having more control over their working lives is particularly important for educated, creative people. Google's decision to allow its staff to spend 20% of their paid-for time to work on whatever they want was controversial at first, but has started to spread. "How could you take your scarcest, most valuable employees and free them to do what they like? I thought they were nuts. But I was nuts. They were smart," says Scott Cook, the boss of Intuit, which has enjoyed a surge in performance since he introduced something similar. Setting your employees free in this way "helps you keep the most inventive people, because they want to invent". Netflix, a booming film-rental outfit, has taken to letting its employees take as much holiday as they like, hoping to establish an employment culture it calls "freedom and responsibility". But it also has a policy of firing people who do not perform well.

The other big challenge for employers is burn-out, especially for the supposed victors of the winner-take-all markets who are expected to be "always on". "The big losers from a lifestyle perspective are those who have unlimited opportunity," says Tony Schwartz, founder of The Energy Project, which trains people to understand the ebbs and flows of their energy at work and manage them better. The advice to get more sleep usually goes down well; after that it gets harder, he admits. Among other things, he teaches employees to take a break after 90 minutes' work, because effectiveness declines rapidly after that.

This may sound elementary, but The Energy Project has been hired by firms such as Apple, Intel, Oracle, Facebook, Twitter and Google which rely heavily on the creativity of their employees. According to Erica Fox, head of learning programmes in Google's cross-functional learning and development team, they chose it because it is "science-based and has a measurable and demonstrable impact." In the first year 2,000 Googlers went through a course called "Managing Your Energy for Your Sustained Performance", many of them senior executives who then wanted their teams to attend the course too. The firm's famously supportive culture of supplying everything from free food to free massage can do only so much. "Until people become aware of where they are in terms of energy levels, all the massages in the world won't help," says Ms Fox.

However, the war for talent is not just about knowledge workers. Walmart, the world's largest private-sector employer, which operates in 28 countries, sees a scarcity of talent in many fields. Susan Chambers, head of the giant retailer's "People" division, says that in merchandising, for instance, "you can't hire enough talent that can deal with the merchandising complexity. So it is incredibly important to develop talent internally."

Even in the lower ranks employees are having to handle growing complexity, not least because customers are changing the way they shop, making more use of the internet and mobile technology. "Not so long ago, I would have thought new technology would have affected the electronics department or our dotcom business. In fact, it has implications across the entire organisation, requiring a general increase in technical skills across the board." In India the firm has even established some free academies to train future store workers in its joint venture with Bharti, a local conglomerate. Firms that do a lot of business in emerging markets are generally much more enthusiastic about spending on training than those dealing mainly with rich countries, both because these markets are growing faster and because fewer people come out of the education system "work-ready". This is particularly important in India, where outsourcing firms such as Infosys and Wipro train new recruits in state-of-the-art corporate university campuses.

Despite its reputation as a tough, anti-union employer, Walmart is currently trying to shift its corporate culture across the world from one based on rules to one based on values, says Ms Chambers. The aim is to ensure that employees will "feel empowered and have the right values so they can make the right decision." The thing that will decide if Walmart continues to be special as it grows around the world is getting these values across, she explains, noting that this will raise serious challenges for recruitment, workforce development and pay.

Just-in-time hiring

Jeff Joerres, the boss of Manpower, reckons that new information technology has made it much easier for companies to manage their workforces to keep them in step with demand for the goods and services they supply. That helps explain why firms in America and some other big economies have been slow to start hiring again in the current economic recovery: they have been waiting for tangible evidence of demand picking up, which in many of these economies has yet to materialise. But his optimism is not universally shared. Edmund Phelps, the economist, suspects that the huge wave of dismissals in big rich-world companies after the crash of 2008 got rid mainly of people working on forward-looking projects, thus reducing the potential for future innovation.

Nor do companies seem to have given enough thought to dealing with important demographic shifts. For example, even though women have been flooding into the labour market in growing numbers in the past few decades, the "glass ceiling" that stops them getting to the top mostly remains in place. "There is a sense that progress has stalled," says Nicole Schwab, co-founder of The Gender Equality Project, an organisation that works with firms to close the gap between male and female workers. One problem is that "most companies are still structured around one type of career-advancement model, and if a woman doesn't conform to that model she won't progress."

As younger people enter the labour market they will demand a very different workplace, says Don Tapscott, another management guru. Firms that try to maintain a "generational firewall" will do so at their peril, because for the first time in history "younger people know more than their elders about the biggest innovation of the day," namely social media. They may also favour practices such as remote working to make jobs greener.

Equally, a growing number of people are remaining healthy and active well past the traditional retirement age and want to carry on working, whether for the money or for the fun of it. That can create problems for younger workers, who may find it harder to get a promotion or find a job in the first place. On the other hand, points out Lynda Gratton, "there are some really smart 65-year-olds. Surely we can reconfigure work to keep them aboard." She thinks that many older people would prefer flexible working to complete retirement in the later stages of their career. Yet in the corporate world "there isn't enough experimentation going on. Everyone talks about Walmart and B&Q and their 90-year-old greeters, but that isn't enough."

There is also much to be done to ensure that workers are not exploited, especially in emerging markets. Western multinationals have generally improved labour practices throughout their supply chain compared with 20 years ago, when firms such as Nike were often accused of operating sweatshops, but some of the charges persist. For example, Hershey's, an American chocolate maker, has been targeted by activists such as the International Labour Rights Forum for buying its cocoa from countries where the abuse of workers is rife. (The company vigorously denies such abuse.) And some emerging-market firms still lag far behind Western multinationals, not least in their use of bonded labour. An executive at one Western multinational operating in the Gulf says he is currently encouraging other firms in the region to end the practice of holding the passports of cheap workers they ship in from abroad, as his has already done.

Work, rest and play

Finding the right people is hard enough; keeping them motivated once they are on the payroll is even harder. Surveys have suggested that about four out of five employees would leave their current job if they could, but most think they would have trouble finding another one at the moment. A global Gallup survey found that at the average big firm only 33% of employees describe themselves as fully engaged in their work, 49% say they are not engaged and 18% say they are "actively disengaged". At what Gallup calls "world-class" companies, the proportions are 67%, 26% and 7% respectively. China is not exempt from this problem. "There are so many university graduates," says Jack Ma, the founder of Alibaba, a Chinese internet empire, "and it is difficult to send them back to work in a factory. They want to work on the internet, be an entrepreneur."

Firms are also making a bigger effort to engage large numbers of employees in decision-making, which thanks to new technology is becoming ever easier and cheaper. Infosys, for example, involved some 56,000 employees in a strategy discussion, using a collective-intelligence portal, and felt the exercise was worthwhile. New collaboration platforms such as Salesforce Chatter—a sort of Facebook meets Twitter for companies—make it easy for people to network and work on joint projects within a firm, and for management to see who is doing what with whom.

Such things are easily done when the work is inherently interesting. But what if it is not? If employees find their jobs too boring, they will soon become demotivated and leave, and finding replacements is time-consuming and costly. So companies are doing their best to keep even people doing routine jobs engaged in their work.

"Higher purpose is a great catalyst for employee engagement," says Judah Schiller, who until recently worked for Saatchi & Saatchi S, a consultancy that has advised big companies including Walmart, McDonald's and AT&T. It gets staff involved in good causes, hoping that this will motivate them more broadly at work. At AT&T an internal marketing campaign was created around the idea that everyone working for the company should "Do One Thing" for the environment. Walmart initially concentrated on environmental sustainability and saved a fortune from the ideas that employees came up with; now it has moved on to health, with a campaign that has already caused associates to lose a combined 200,000lbs of weight. "The goal is to get employees engaging with each other again, not just about the cause but about everything," says Mr Schiller. ■