Recruitment, Retention and the Double Whammy:
How HR can gain crucial competitive advantage in the next twelve months

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As you've no doubt noticed in the press, figures published at the tail end of last year indicate the first signs of economic growth. Gross Domestic Product in the US, often a forerunner of economic conditions elsewhere in the world, almost doubled from the first quarter to the second quarter of 2003, from 1.4% to 2.4%[1].

In the UK, despite ups and downs through the first few months of 2003, economic growth appeared to be following the trend set by the US, with GDP increasing by 0.2% for Quarter 1[2]. Although the UK Government trimmed their somewhat optimistic forecasts for the rest of 2003 and 2004, the notoriously prudent Gordon Brown is anticipating economic growth of between 2% and 2.5% carrying through into 2004[3].

While the political machinations of Downing Street may seem a world away from day-to-day working life it's an indisputable fact that, no matter where your organisation is or what it does, your HR Department and the economy (both local and global) are inextricably linked.

The 'Double Whammy'

If the economy continues to stagger from the doldrums towards a boom, the next concern for HR departments up and down the country will be the 'double whammy' which threatens to pull the rug from under the feet of the unwary and unprepared. Forget reading, 'riting and 'rithmetic, the 2 Rs concerning HR in the near future will be 'recruitment' and 'retention'.

Already, with economic growth still in the fragile early stages, recruitment is becoming more of an issue. Figures released for the early part of 2003 showed that two thirds of employers in the UK were having trouble filling vacancy requisitions[4]. As economic growth takes a firmer hold into 2004, organisations – no matter what their line of business – will need to grow in tandem. Although technological advances and other streamlining efforts may be able to reduce headcount in the short term, over a longer timeframe the inescapable rule of thumb is that the more work there is to do, the more staff are going to be needed to do it.

No great surprises there. But the uphill task faced by HR starts to look more daunting when the significant increase in recruitment is allied with problems related to retention. In 2002, almost half of UK employers were already encountering difficulties retaining staff[5] – and this supposedly at a time when everyone is too nervy to be looking around for better job prospects. As the economy grows further, the opportunities offered by your competitors will start to look even more appealing to your workforce. It seems that few employers have stopped to consider the problem of the grass being greener elsewhere, let alone how to counter it.

And employers have cause to worry. Recent research suggests that as many as 30 to 40% of employees may already have 'checked out' of their current role – meaning they are more focussed on finding their next job than on their own current performance[6]. One

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[1] Adler, L., August 2003, 'Why recruiters are even more important now that the recovery is finally here', *erdaily*, retrieved August 2003

[2] Guardian Unlimited, http://www.guardian.co.uk/business/story/0,3604,962258,00.html, retrieved August 2003

[3] Ibid.

[4] IRS Employment Review, Issue 775, http://www.onrec.com/content2/news.asp?ID=2526, retrieved August 2003

[5] Ibid.

[6] Herman, R., 'Get ready for a surge', *erdaily*, retrieved August 2003

particularly chilling piece of research even indicates that a staggering one-third of employees begin job hunting on the *first day* of a new job[7]!

Don't forget that as well as the cost of recruiting replacements for outgoing staff, 'hidden' costs also have to be factored into any measure of the cost of leavers. Often too little account is taken of lost productivity as the rest of the team adjust. In addition, the new hire needs to spend time in a steep learning curve before even starting to approach a break-even level of productivity. It has been estimated that up to 85% of the cost of replacing a member of staff could be made up of hidden costs like these[8].

How to cope (and maybe even prosper!) during the times ahead

So, to recap, recruitment and retention are going to be big topics over the next 12 months. What can you do to try and reduce the risk of being dragged under by this increased burden?

There are a large number of initiatives you can pursue, but the list below gives some suggestions to get you thinking. Not all of the suggestions will be suitable or even applicable to your organisation's circumstances, but at least you'll have somewhere to start.

Some of these ideas can be applied to the problems of additional recruitment, while some are more applicable to retention efforts. Some, with a little imagination, can be applied to both. The list is by no means exhaustive, but it's worth remembering that every initiative you take to cope with the new demands on HR could be a source of vital competitive advantage

1) Take another look at your corporate website

Once at the vanguard of HR strategy plans for innovative organisations, corporate websites are now widely regarded by potential candidates as a bare minimum requirement rather than a differentiating factor. It should come as no surprise that, in 2002, 91% of Global 500 companies were using corporate websites as part of recruitment strategy[9]. Clearly, your corporate website has to have something extra to make it stand out from the crowd.

More and more members of the HR community are seeing the advantages in using corporate websites to add value to the recruitment process. There are various ways of doing this, from the use of pre-screening technology (which could encompass anything from the application of 'killer questions' to more sophisticated job profiling) through to Applicant Relationship Management (ARM). The prospective candidate gets the immediate benefit of pre-screening, which saves them spending hours completing an application form that would have been rejected anyway. The principles of ARM can be demonstrated through 'job agent' technology which keeps the candidate up to date with new vacancies as and when they appear on the website.

This value-adding 'ripple' effect also continues beyond the applicant through to the HR Department, who are no longer swamped with a multitude of inappropriate CVs, but instead receive a smaller number of relevant applications, making for a more streamlined (and cost-effective) recruitment process. It's little wonder that online pre-screening grew by 228% and the application of the principles of ARM by 120% at Fortune 500 companies during the first two years of the new millennium[10].

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[7] Witthaus, M., 'Finders keepers, losers weepers', *Recruit Magazine*, Autumn 2003
[8] Sao, S. R., May 2003, 'The calm before the storm: adapting to retain and recruit top performers before the economic tides change', *Deploy Solutions*
[9] 'Trends in Fortune 500 Careers Web Site Recruiting', *iLogos Research*, 2002
[10] Ibid.

2) Take time to think about your back end

Applicant Tracking Systems (ATS) and Enterprise Resource Planning (ERP) are increasingly being seen as the logical extension to the corporate website. ATS provides a means of handling applications that come in as a result of recruitment drives, while ERP systems can link this data to other departments throughout the company.

Both will be especially well placed to deal with the high volumes of applications resulting from the improvement in economic fortunes (as well as emerging technologies, which will make it even easier for jobseekers to submit applications to multiple organisations simultaneously). ATS, in particular, can store a pool of previous applications from candidates, which can be searched through to fill future vacancies.

As well as helping to cope with higher demand, ATS and ERP systems can also, somewhat ironically, increase the level of personalisation shown to the candidate. It may seem unimportant, but a simple automatic acknowledgement email (even in a standard format) following an application can be the first step in differentiating your recruitment process from that of your nearest competitor.

3) Use metrics to back up your arguments

ATS and ERP systems have an added advantage in that they can facilitate easier and more penetrative reporting. Recruitment is arguably one of the highest operating expenses to an organisation whilst also being one of the least analysed and understood. Retention suffers even more, with most exit interviews conducted at speed and then filed away, never to see the light of day and very rarely mined for useful data.

You should only ever make the effort to gather data that you know is relevant and is actually going to serve some useful purpose. With the HR department being pressured to do ever more with potentially even less resources, any decisions made should be accompanied by as many facts and figures as possible to back up the case. Imagine how much more bargaining power you'll have with those colleagues who hold the purse strings when you are armed with cold, hard facts.

Also try to find more imaginative ways of measuring effectiveness so that you can maximise the return on any investment made. While the noble 'cost per hire' has its place and won't disappear overnight, try to add metrics covering more varied aspects of recruitment, possibly from previously uninvestigated sources. These sources could include Line Managers, industry benchmark figures for 'best-in-class' organisations and even candidates who *turned down* an offer. Don't forget to carefully track the origin of your applicants. As well as the volume of applications, you might also want to investigate utility-based assessment, which measures recruitment sources not just by how expensive they are but by how accurately they predict future job performance[11].

In addition to recruitment metrics, you should also overhaul the figures you currently generate regarding retention. Currently, it is likely that you are able to tell how long a leaver has been with your organisation before they actually leave. Imagine having the data at your fingertips that tell you how long a leaver has been looking for another job. Or what specific factors within your organisation made him or her look elsewhere (this is often not just a simple issue of salary). Or even what the length of time was between starting their job with your organisation to the moment they became a fully-fledged revenue-generating member of staff.

4) Be creative offline

Much as the PC has taken over working life, not all the initiatives you can take are fully centred around the mouse and the screen. Although many offline initiatives would be

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[11] For further details see Wood, R., & Payne, T., 1998, 'Competency based recruitment and selection', *John Wiley*

enhanced by computerisation at some level, some initiatives are driven by simple good business sense.

A weapon in every recruitment armoury should be the referral scheme. Although currently inexcusably under-used (a 2001 study showed that less than 2% of the recruitment budget for US companies was allocated in this direction[12]), referral schemes have many arguments in their favour. As well as being the cheapest way to hire new staff (at an average of around 3% of the cost of the recruitment agency route[13]), they also offer one of the highest interview-to-conversion rates. (The best referral schemes resulting in offers being made to 1 in 4 candidates who make it through the initial screening process[14]). And don't forget that bonuses only have to be paid once a candidate has been hired and reaches an acceptable level of performance. Scant few other candidate sources can offer this benefit - and none at the same level of cost.

The other great advantage with referral schemes is that they offer priceless PR opportunities to your existing employees. Although unlikely to ensure the loyalty of your workforce indefinitely, an industry-competitive referral scheme will at least prove that helping with recruitment is appreciated at some level by your organisation.

When examining new initiatives, don't overlook the operation of your HR department at a fundamental level. For example, rather than relying on traditional 'rounds' of recruitment or solely reacting to a vacancy requisition when it arises, HR will need to be more proactive. This could entail some kind of vacancy forecast based on the requirements of previous recruitment cycles. HR will also increasingly be engaged in 'continuous recruiting' for individuals who 'fit' the company, rather than those who fit only a specific current vacancy. Hiring to deadlines may only increase the likelihood of an inaccurate decision[15].

Internal redeployment is also worth closer inspection. Before you start looking beyond the company to fulfil your recruitment needs, why not look *inside* and therefore respond to the problems of recruitment and retention simultaneously? The larger the company, the easier it will be to shuffle people internally, but even smaller organisations can benefit from the simple advertisement of internal vacancies before they are released externally.

Despite the best efforts of economic analysts it is extremely difficult to predict how the economy will develop with any great level of certainty. However, recovery and growth *will* happen – it's more a question of 'when' than 'if'. With this in mind, HR has two choices – to prepare in advance for recovery or wait until it happens and then try to join the party.

And with additional research indicating the likely dearth of talent over the next 10 to 15 years (while the need for this talent will grow by 30 – 35%)[16], there's no time like the present to get in some early practice at changing your outlook. Failing to prepare for heightened recruitment levels and retention issues now could fatally weaken your crucial competitive advantage in the not-too-distant future.

Sources

The following sources are suggested for further reading:

Deploy Solutions White Papers
Electronic Recruiting Exchange (www.erexchange.com)
Global Learning Resources (www.glresources.com)
Guardian Unlimited (www.guardian.co.uk)
HR.com (www.hr.com)

[12] Wheeler, K., May 2001, 'Referral programs: the highest return for a dollar spent', http://www.glresources.com/columns/referralprograms.htm, retrieved August 2003
[13] EMA Cost Per Hire Survey 2001
[14] Wheeler, K., May 2001, 'Referral programs: the highest return for a dollar spent', http://www.glresources.com/columns/referralprograms.htm, retrieved August 2003
[15] Adler, L., 1998, 'Hire with your head', *John Wiley*
[16] Sao, S. R., May 2003, 'The calm before the storm', *Deploy Solutions*

iLogos Research (www.ilogosresearch.com)
IRS Employment Review (www.irsemploymentreview.com)
Recruit Magazine
Recruiter Magazine
Workforce (www.workforceonline.com)

About the author

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