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# Corporate Recruiting Report

2010 Edition



# Corporate Staffing Report

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# Introduction

Corporate staffing has never been more challenging, having changed more in the last ten years than in the previous fifty. Best practice now follows a new 21<sup>st</sup>-century model. The old, 20<sup>th</sup>-century model was transactional, and was loosely managed according to four core metrics: time, cost, quality, and satisfaction. It was designed for a limited staffing function that began with the job requisition and ended with the hire. It was also designed for the labor markets of thirty and forty years ago.

Today's 21<sup>st</sup>-century model is far more complex and requires not just four measurements but four areas of measurement covering efficiency, effectiveness, marketing and business alignment. Traditional core metrics, while still important, are only the starting point. The new model also requires new tools, new systems, new relationships, new language and new perspectives. Practitioners must now directly address corporate issues such as faster time-to-market, better labor utilization, and corporate profitability. They must provide not only bottom-line impact today but also strategic advantage tomorrow. Nine out of ten staffing departments, including those in the largest multi-nationals, are playing catch-up with this new model.

Our 2009 edition included new research on changing candidate attitudes and behavior, non-traditional sourcing, recruiter workloads, employee retention, and business accountability. For 2010 our subscribers say their top priorities are candidate quality, candidate sourcing, translating staffing performance into business performance, and communicating with senior management. This new edition provides additional material on those topics.

The 20<sup>th</sup>-century corporate staffing model is slowly dying and taking its adherents down with it. Our data clearly show the gap widening between best practice and average practice. If you understand the 21<sup>st</sup>-century model and wish to perfect it, this report is your user manual. If you're stuck in the 20<sup>th</sup>-century model and wish to escape it, this is your survival manual.

This new edition will not become dated. As significant new research becomes available throughout 2010 in rapidly changing areas like technology, sourcing, the economy and the job market, report buyers will automatically receive timely updates. As we shift out of the recession, staffing will be too important to withhold this information until 2011.

## About This Survey

We publish this year in a very different economic environment from a year ago. The economy has shed millions of jobs. The easy but false conclusions to draw would be that

this is a good time to recruit “actives” because there are more good candidates on the street, but a bad time to recruit “passives” because they are hunkered down in current jobs worried about security. But things are not quite what they seem.

Yes, there is a surfeit of applicants for certain kinds of jobs in certain places, but in other industries, places, and occupations the job market has not changed much. Generally speaking, the top quartile of candidates in terms of talent and experience are as scarce as they have ever been. The culling of a workforce in tough times seldom starts with the most skilled and valuable. It's the bottom quartile that feels most of the pain.

Also, according to our data, bad times do not curtail job searches. In fact they increase them. Worry about one's future, it seems, is a more potent driver of candidate availability than good times.

This report, our most extensive yet, reflects the volatile dynamics of today's job marketplace. Staffing is changing faster than it ever has. Business as usual is clearly endangered. Our research suggests that efficiency, effectiveness and business alignment will be the staffing imperatives of the next decade. Questions arise:

What new perspective will that require?

Once day-to-day concerns are dealt with, where should we be focused?

What should our planning—and careers—take into account?

Short-term economic fluctuations aside, there are powerful long-term trends at work in the job marketplace that will have major impacts on staffing. Together, they are slowly but inexorably altering where work is done and by whom, how companies are structured and how workers look for jobs.

Efficiency, so important in any business climate and in every business function, will become more so. We refer to it as one of the trains barreling down the tracks toward the recruiting profession. But efficient recruiting has become more complicated in recent years and harder to accomplish. And as this has occurred, a gap has materialized between companies that have adapted and those that haven't. Into this gap have stepped third-party specialists combining new technologies with economies of scale and sharp business focus to do the job better. The marketplace is evolving.

We focus as always on the basics of staffing performance because they are fundamental, because most companies still do not practice them well enough, and because they are key to higher levels of corporate involvement. At the same time, we look into the future and analyze those deep changes in the profession that current data suggest.

We welcome your thoughts on this report. It is not a static document. If you have additional needs, let us know. If you need help with implementation, we can help there

as well. As the corporate recruiting paradigm shifts from “push” to “pull,” driven by powerful and inexorable trends, there will be winners and losers in the marketplace. Our mission is to make you one of the winners.

# Chapter 3:

## Reexamining Staffing's Roles & Responsibilities

### The Dying 20th-Century Staffing Model

The traditional 20<sup>th</sup>-century corporate staffing model is dying. In its last bastions—small companies—it is still hanging on and may have some life left, but everywhere else it's on life support. That model was designed 50 years ago for a different world—pre-Internet, pre-globalization, pre-worker-empowerment, pre-outsourcing, pre-technology, and pre-metrics.

Back then, staffing specialists were just beginning to emerge within personnel departments. They placed help wanted ads, took in resumes, scheduled interviews, notified bookkeeping and showed workers to their seats. It was an administrative function focused on mechanics.

In many companies it still is. Non-staffing managers do all the heavy lifting: planning, evaluating, hiring, managing, training and pruning the workforce. Staffing facilitates these things and may also pull the better resumes from the initial pile, conduct preliminary screening, call references, check backgrounds, and keep compliance records, but the function remains basically clerical or, as we say, “transactional.”

Everywhere we look we see clients wrestling with its deficiencies: staffing metrics that don't improve, uneven candidate quality, boom and bust hiring cycles, inadequate budgets, regulation minefields, outdated technology and management indifference. What should be wonderfully interesting, challenging and consequential work—supplying the human capital that powers every organization on earth—remains largely bureaucratic.

When we first began tracking corporate recruiting metrics 11 years ago, our reports consisted of four short chapters explaining the most basic staffing metrics: time to hire,

cost per hire, candidate quality, and hiring manager satisfaction. Back then it was hard to set benchmarks for even these because so few companies kept data. Benchmarks for individual industries occasionally had to be calculated from only a handful of companies. Hard to believe now, but that was leading-edge stuff. By comparison, our newest report has five robust *sections* containing 21 chapters.

Those original metrics remain valuable because staffing remains essentially what it has always been: a competition to locate the right candidates and match them efficiently and effectively to given tasks. And as far as metrics go, most companies can now monitor to some extent how well they manage to do that. But the ballgame is now being played on a new field, with new equipment and new rules. The gap in best practices between old school and new school is widening. We encounter winners and losers every month.

### **How Has the Game Changed?**

We quickly acknowledge that for small local enterprises the changes may be small. The sign in the window, the referral from an acquaintance, and perhaps a *craigslist* posting will still produce an adequate supply of acceptable candidates. But step up to the regional, national or international level and the old model breaks. It isn't responsive enough to handle rapid changes in competition, economics and markets; it isn't discriminating enough to accurately match talent to task; and it isn't sufficiently business-focused to provide measurable bottom-line business results.

### **How Is the New Model Different?**

The new staffing model has a number of distinctive characteristics. Here are four of the most important:

- It routinely embraces and relentlessly exploits new technology.
- It operates as a branding and marketing engine.
- It is governed by highly developed business analytics.
- It focuses primarily on candidate quality and workforce planning, outsourcing whatever else it can.

Think about this with respect to your current HR organization. For example, what is the relationship with technology: grudging, frantic, suspicious, resigned, frustrated? These are common reactions because technology can certainly be maddening. But unless your relationship is also welcoming, curious, optimistic, determined, and patient, you cannot implement the new model. The future of staffing is closely linked to technology, and your ability to harness and exploit it will weigh heavily on your success. Here's a quick test to determine where you are on the old model to new model continuum.

- Have your recruiting cost ratios improved dramatically in the last five years?

How about your hiring times?

How about your candidate to hire ratio?

Is your recruiting technology less than two years old?

Do all your job candidates receive a personalized initial response within 24 hours, a definitive response within one week, and an online status update anytime they want?

Can you produce a short list of candidates for every critical position in your enterprise within one business day?

Do you have a staffing representative in every executive level strategy or planning meeting?

Does the head of staffing report to the top operating officer of the company?

Our past research predicts that:

20% of you answered mostly “no”

10% of you answered mostly “yes” and

70% of you answered “no,” “occasionally,” or “well, sort of.”

One final question: professionally speaking, how much does change mean to you personally and professionally? The answer is worth pondering. This report describes the path to the new model, but model changes do not happen quickly or easily in most organizations. Your success will depend, more than anything else, on your commitment to the journey.

Is it absurd to suggest that the traditional staffing model is dying? After all, staffing has always been, and will always be, about finding and hiring the best candidates to fill jobs. What has changed about *that*, or about the skills required to do it well? In one sense, little.

Traditional skills remain vital to success but what has undeniably changed are the additional competencies required to produce superior staffing results on an enterprise scale. For example, mastery of:

Complex computer hardware and software systems

Internet sourcing techniques

Database optimization and management

Comprehensive efficiency and effectiveness metrics

C-suite and board-level communication

Corporate economics.

And these results must be produced in an increasingly competitive marketplace characterized by:

Rapid change

Skill imbalances

New, rapidly evolving recruiting channels

Multiple outsourcing options

Unprecedented corporate transparency  
Decreasing worker loyalty  
Increasing worker mobility  
New working environments and arrangements.

Recruiting within the traditional model remains with us; small companies with modest hiring needs can still use it effectively. But larger companies cannot. For them, efficient and effective staffing requires a redefinition of roles and responsibilities. We often use an accounting analogy. The old model in that profession was bookkeeping, with expertise embodied in the CPA. Then the need arose to manage complex corporate assets and money flows. This required expertise in money management, financing instruments, currency exchange, and risk management. Professional training now had to include an MBA and often a law degree. And so, corporate accounting became corporate finance.

## The Four Challenges

In our work over the past 12 years the basic challenges to staffing organizations have sorted themselves into four groups, each of which is addressed in a section of this report:

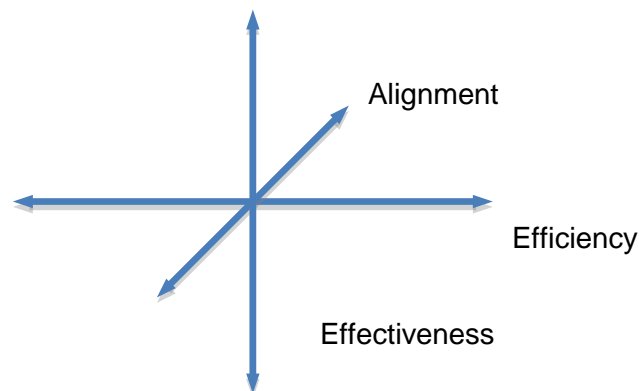
1. *Efficiency-related:* Time and cost issues describing how well the recruiting machine is running day-to-day and accomplishing the transactional side of recruiting: finding and vetting candidates and filling jobs.  
  
*Effectiveness-related:* Quality issues pertaining to whether we are hiring competent candidates, whether they are performing productively, and whether they become long-term human capital assets for the enterprise.  
  
*Marketing-related:* Issues related to presenting the employer and his opportunities in a way that will create the best possible queue of the most appropriate candidates.  
  
*Alignment-related:* Connection issues that link staffing activities directly to the concerns of senior managers: planning, strategy, growth, profits, and competition.

A decade ago efficiency dominated. As companies increasingly adopted efficiency standards, the pendulum began to swing toward quality. That movement continues to be driven by the pressures of globalization and demographics, by immigration issues, and by changes in candidate and employee attitudes. Finding the right workers and placing them in the right spots was the number one issue reported by our clients in 2009.

Companies that have successfully solved the problem of effectiveness have a head start in grappling with the issue of relevance because the two are closely connected. Both stem from the realization that human capital must be valued and managed as carefully as other forms of business capital; that, in fact, people *are* a company's most important product.

*Efficiency.*  
*Effectiveness.*  
*Marketing.*  
*Alignment.*

The overlay of these issues on one another has made for an increasingly complex staffing environment and a surprising variation in best practice, even among successful companies.



The world we study shows similar variations across companies of all sizes, across industry groups, and even among similar companies in the same industry. Best practice is all over the map, and as competitive pressures build, performance gaps are widening. Unfortunately, this comes at a time when all the business trends we reviewed in Chapters 1 and 2 are making success in business increasingly challenging and good staffing increasingly consequential.

The solutions we outline and the recommendations we make in this report are not conceptually difficult. What most constrains problem solving and obstructs best practices are outdated attitudes toward such things as:

- The training of staffing managers
- Staffing's role and responsibilities
- Senior management's view of that role and those responsibilities
- Changes in the job marketplace
- Technology

## The Three Competencies

Overcoming the four challenges depends on developing three competencies:

- A full range of performance metrics and measurements

Technological sophistication  
A thorough grounding in business

### Embracing Measurement & Metrics

The traditional staffing model was developed before human capital management became a business school topic and before its full impact on corporate performance was understood. As long as seats were filled, budgets were controlled and there was an adequate choice of candidates, senior managers didn't pay much attention. Extensive metrics were not demanded, so they were not kept. To this day, that pattern predominates. Most companies still keep only the most rudimentary data on efficiency and effectiveness.

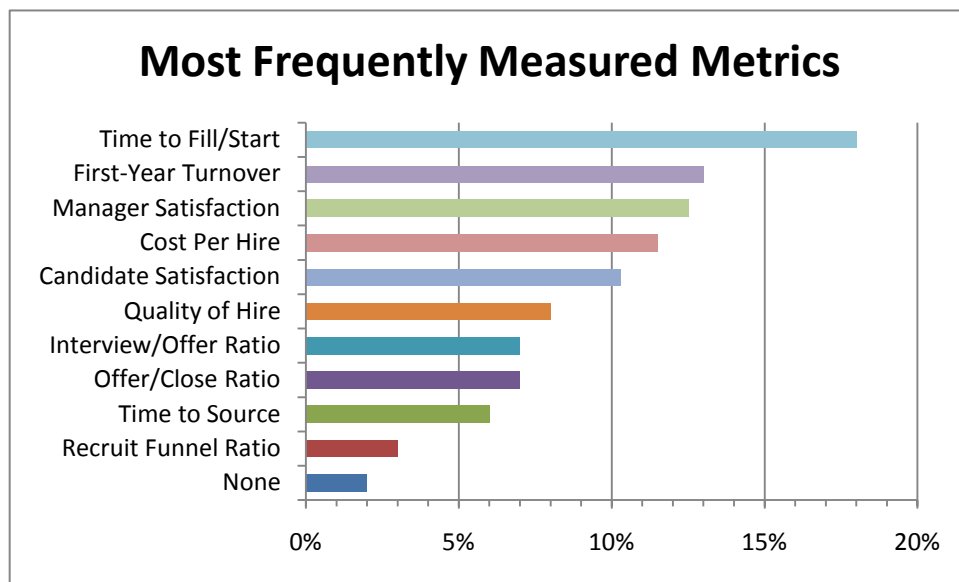


Figure 8 - Source: Doubletree.

However, data and more data drive the 21st-century staffing model. The 10 metrics in the chart above are only the beginning. There are additional metrics for quality of hire, retention, turnover, marketing efficiency and workforce planning. Together these reflect management's response to an increasingly volatile and competitive business climate, one that raises the bar for corporate success considerably. Best-in-class performance now requires that:

- All processes be measured so they can be managed
- Improved efficiency be a continuous process, not a one-time event
- Outsourcing be considered for every non-critical transactional function
- All expenses and investments be directly linked to bottom-line results

## **Becoming Savvy Technologists**

The information requirements of 21st-century staffing will only be satisfied by powerful, up-to-date technology. A three-year-old ATS or a two-year-old job site will not get the job done. Older systems simply cannot effectively manage and integrate:

- Advertising, job posting and applicant tracking
- Interviews, assessments, dynamic scheduling and on-boarding
- Career portals and internal mobility
- Social media, mobile device applications and CRM
- Performance, learning and competency management
- Predictive analytics, workforce planning and succession planning.

In the traditional model, everyone had the same tools and systems. The main differentiator was the skill level of individual recruiters. In the future model, hardware and software will increasingly determine results. Superior people will still be crucial, but the medals will go to those with access to the most capable technology.

## **Understanding Business**

Working in one aspect of a business does not automatically confer knowledge of the whole business. We often talk to experienced, successful HR, staffing and talent management professionals who acknowledge that they have never attended a sales meeting, read the company's annual report, analyzed a financial statement or worked in any department other than HR. Under the old model, none of that mattered.

And the deficiency is not all on HR's side. Top executives frequently rise through the ranks via operations, finance, sales, and legal, and occasionally through R & D or strategic planning. They seldom rise through HR. In fact, it is rare to find a top executive who has even had an assignment there on the way up. So there is a knowledge gap on both sides that needs bridging.

Why are things any different now? Because the new model has you working closely with the other top executives in your company. To do that successfully you will have to be capable of relating what you do to what they do, of linking your knowledge and expertise to something that's relevant to them. For example, can you explain how your initiative to raise candidate quality will translate into higher sales productivity and greater client satisfaction? You can't make that link unless you understand the language of sales, what they are responsible for and what their challenges are. It's a kind of translation exercise that you can't succeed at unless you speak the language of the person you're talking to.

One of the unique aspects of staffing is its leverage: the power to improve the performance of every position in a company, from the mail room to the executive office, simply by thoroughly understanding what the company is trying to accomplish, what its challenges are, what each open job entails and then delivering superb candidates. But that can't be done by just reading job requisitions. You have to learn the business.

Welcome to the world of 21st-century staffing: one where the map is being rapidly redrawn. It's unquestionably a data-centered, technology-driven world, one dependent on the same decision-making analytics that are common in finance, sales, R & D, or manufacturing. The performance bar is higher, but there is also a demonstrated impact on corporate performance.

Our research shows that the performance bell curve in corporate staffing is flattening, and as it does, the gap between poor practice and good practice is widening. Top-performing departments are hiring better candidates at lower cost, in less time, keeping them longer and deploying them more productively. Fortunately the new model is available to all. Many changes are inexpensive and are more than offset by savings realized during the hiring process, in lower vacancy rates, and in better corporate performance.

# Chapter 6:

## Cost

Along with our time efficiency measurements in Chapter 5, we have also measured costs twice since the recession began, in both 2008 and 2009. These measurements were almost identical, telling us that employers adjusted their recruiting budgets early in the downturn and are keeping them at lower levels until business conditions improve.

As there is still some question about the impact of the economic recovery on jobs, we will wait to take our next set of measurements until the hiring picture changes.

The increasing complexity of 21<sup>st</sup>-century recruiting is making it increasingly difficult to publish meaningful benchmarks for recruiting costs. The old standardized, 20<sup>th</sup>-century models are breaking apart, leaving clients justifiably confused about the “right” amount to spend on talent acquisition.

### Best Practices

We are finding that individual companies of similar sizes in the same industry can make entirely rational and defensible decisions about recruiting that result in very different costs. Those differences often reach 100%.

### Recession Lowers Recruiting Costs

Our clients have been struggling with costs over the course of this recession. The data show that most companies retrenched in one way or another by reducing hiring, trimming staff and cutting expenses. Some kept to the same course but tightened up recruiting processes, using the hiring lull to install more efficient technology and adjust departmental structures. A small group or aggressive companies actually increased spending, seeing in the downturn opportunities to lure talent from competitors and upgrade their workforces.

To put data from the last two years in perspective for this edition we reviewed our records going back to 2000 to see what history could tell us about a decade marked by two economic slumps bookending an interim period of growth and high employment. With so much volatility in the job marketplace, we needed a long-term view to accurately answer the question: *What has really happened to recruiting costs, and what should they be today and tomorrow?*

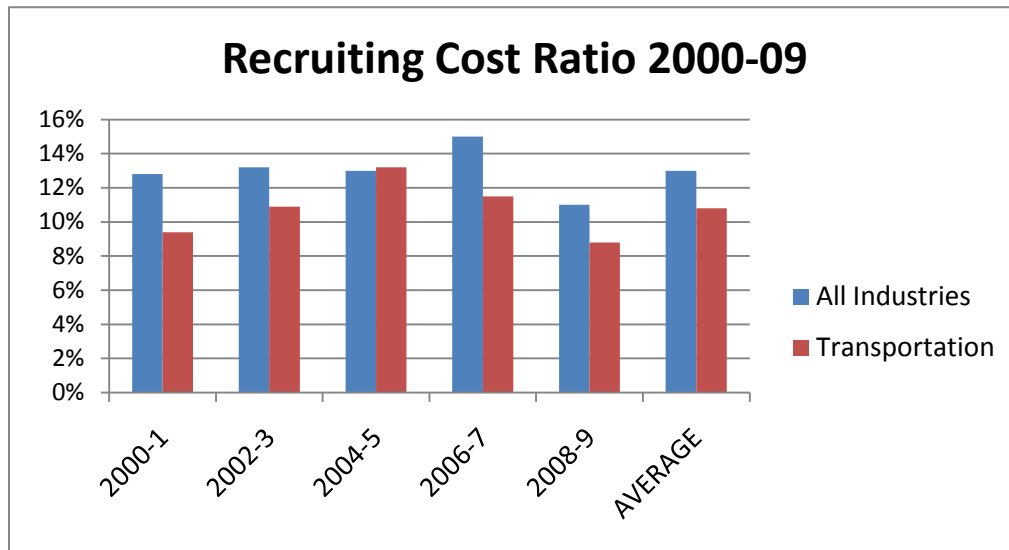


Figure 30

The consolidated data for the 27 industries we followed shows rising costs from the lows of the recessionary period of 2000-2001 through the recovery period of 2002-2007, then a sharp retreat over the past two years back to the lows of 2000-2001 (for the complete data, see page 79). In fact, today's cost benchmark for all industries combined is within one-tenth of one percent of the low we saw 10 years ago. So from a recruiting cost standpoint, we are back almost exactly where we began. The transportation industry shows this trend most clearly, although not all industries followed the same trajectory.

How could this be? Given the vast increase in job-related information on the Internet, increasingly easy and frequent access to that information by job seekers, plus enormous strides in internal corporate staffing technology, we would have expected productivity increases that lowered overall costs. Somehow that didn't happen. Instead, it took an old-fashioned drop in demand coupled with old-fashioned cost cutting to increase staffing efficiency.

We know staffing efficiency is increasing in some companies because they tell us so. Why is it not increasing overall? Our research points to four reasons:

1. In many companies, staffing has not changed much over the past decade. Old patterns of job posting, candidate selection, interviewing, hiring and onboarding

remain almost the same, albeit with a modified technological overlay. A corporate recruiter from the 1990s would readily adapt to most 2010 programs.

2. Few companies have adopted the rigorous, systematic approach to staffing that would allow them to compare the efficiencies of old process against newer ones.
3. They have not done so because most corporate managements still view recruiting as a minor cost center rather than as a significant driver of corporate productivity, revenue and profits.
4. Recruiting costs in most companies still do not reflect the full costs of employee turnover, or the financial impact of superior hiring on employee productivity.

Keep these reasons in mind while reading this chapter. It is all very well to compare one's performance to the various benchmarks we have calculated, but increasingly those benchmarks do not reflect best efficiencies we have seen. A typical sample looks like this:

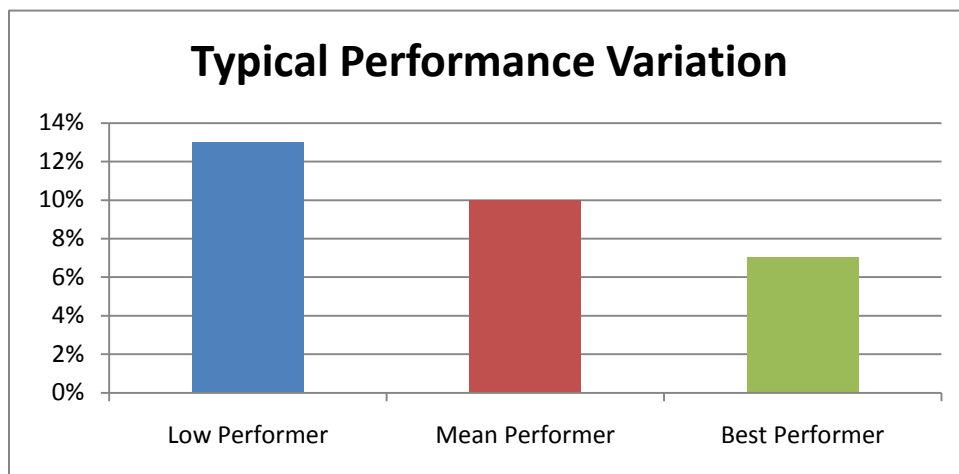


Figure 31

Not only are the differences from industry to industry significant, but there are equally important differences related to company size, number of hires, talent scarcity and other factors. We found that even geography can influence results by as much as 10%. There is simply too much variation in the numbers produced by otherwise perfectly rational staffing strategies.

The lesson here is that, increasingly, benchmarks and budgets must be carefully matched to enterprise strategies and priorities as well as to local circumstances.

The days of easy cost comparisons lie behind. The world of staffing has fragmented. There are now too many variations linked to process, technology, marketing, structure, brand strength, quality, time and strategy to make the old, trusted linkages to industry benchmarks as meaningful as they once were. Although there definitely are "right" cost answers for every company, these are highly situational and require analyzing many

variables, starting with a company's basic people strategy: *Does Company X really want an exceptional workforce or not?*

## Justifying Costs Against Benchmarks

Benchmarks are sometimes useful and sometimes not. They are useful when used to define excellence, but not to justify mediocrity. The data in this report generally consists of what most people understand to be “averages” and statisticians refer to as “means.”

Add a group of numbers together, divide by the number of numbers, and you have an average.

$$16 + 3 + 7 + 23 + 35 + 4 = 88 / 6 = 14.67 \text{ average}$$

Be careful when applying our benchmarks to your situation. Remember that averages do not represent “excellent” performance; they represent “average” performance. Your job is to apply those numbers to guide you towards improvement, not toward mediocrity.

Also be careful if your company does not meet an industry benchmark *for perfectly good reasons*. Superior companies often do things differently than average companies. For example, they may pay higher wages or have a very flat management hierarchy. In staffing, they may pay a lot more for management training, or spend more time vetting and interviewing candidates.

Hitting or missing a benchmark like cost is much less important than knowing *why* you missed it—either above or below—and whether there was any compensating benefit that was worth more; for example, low turnover, high productivity, or lower marketing costs due to your fortunate status as a “magnet” employer.

And always remember that companies differ. No two recruiting departments operate under identical circumstances. The best benchmarks are *always your own over time*, those that reflect your own company's priorities and your own performance relative to those priorities. Continuous improvement based on your own best efforts, relative to your own circumstances, is what you want to be measuring.

## Recruiting Cost Ratio (RCR)

Cost per hire (CPH) remains the industry norm and the metric that most professionals are familiar with. Its equation is simple:

$$\text{Cost per hire} = \text{total recruiting cost} / \text{number of people recruited}$$

CPH is useful when there is substantial uniformity in staffing specifications and operations, but it can be misleading when that is not the case. For example, CPH has trouble with variations in job functions, skill levels, labor market conditions and industry variables. This shows up when evaluating recruiters who are working highly competitive

job markets, or high-cost wage markets, or markets where talent is scarce, or are looking for senior level talent. Even if they are performing admirably, their CPH numbers will be higher than peers working on less challenging requisitions.

Is there a better calculation? Yes. Simply divide total recruiting cost by total salaries recruited, not hires. This is called Recruiting Cost Ratio.

$$\text{Cost per hire} = \text{total recruiting cost} / \text{total compensation recruited}$$

### Example

Recruiter "X" hired 15 engineers, who were paid \$50,000 each (first year comp.), and spent \$66,000 doing so (this is the "all in" cost including office overhead, candidate travel, the recruiter's proportional salary, etc.).

Recruiter "Y" hired 7 senior managers, who were paid a total of \$980,000 (first year comp.), and spent \$84,000 doing so.

$$\text{Recruiter X: Cost per hire} = \$66,000 / 15 = \$4,400$$

$$\text{Recruiter Y: Cost per hire} = \$84,000 / 7 = \$12,000$$

$$\text{Recruiter X: Recruiting Cost Ratio} = \$66,000 / \$750,000 = 8.8\%$$

$$\text{Recruiter Y: Recruiting Cost Ratio} = \$84,000 / \$980,000 = 8.6\%$$

Although the CPH comparison isn't even close, recruiter Y is just as efficient in using resources to deliver talent. He is not penalized for sourcing higher priced talent that normally takes more time to locate and cultivate, and demands more of a premium to hire (e.g. moving costs, signing bonuses).

Recruiting cost ratio is a superior way to evaluate costs between in-house recruiters and third parties, who are often retained for more difficult and time-consuming searches and who charge a premium for those services.

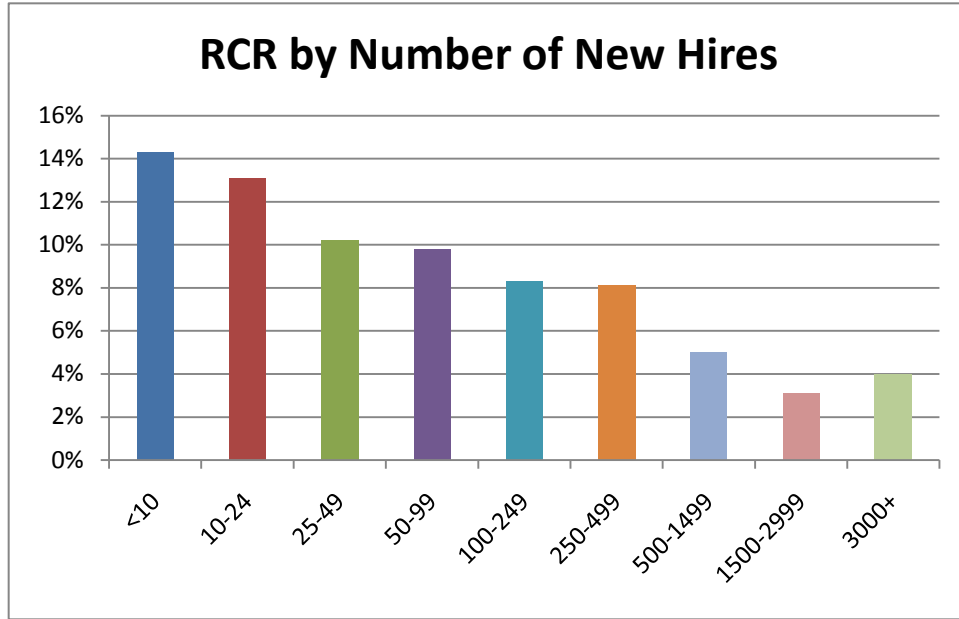


Figure 34

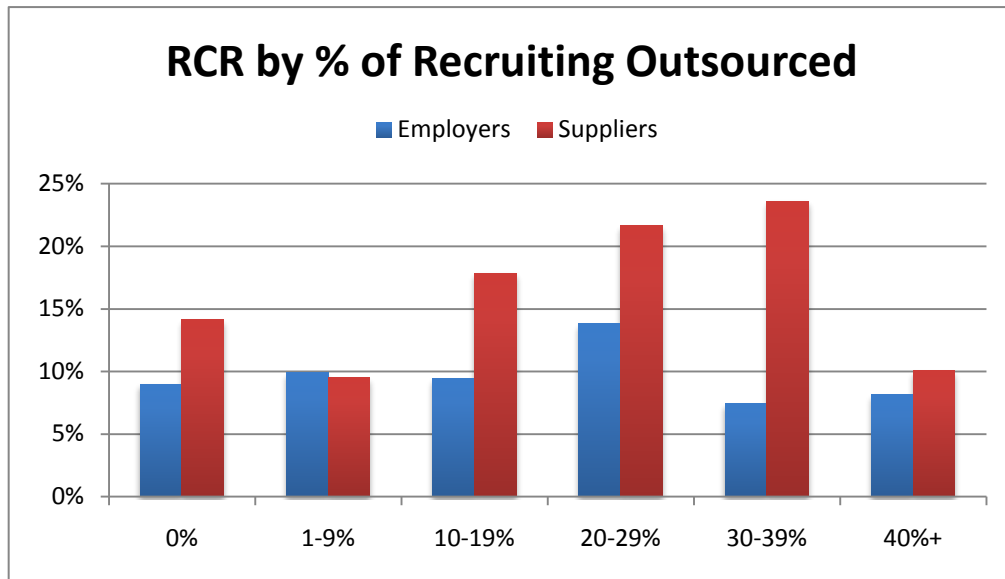


Figure 35

## Geographic Variables

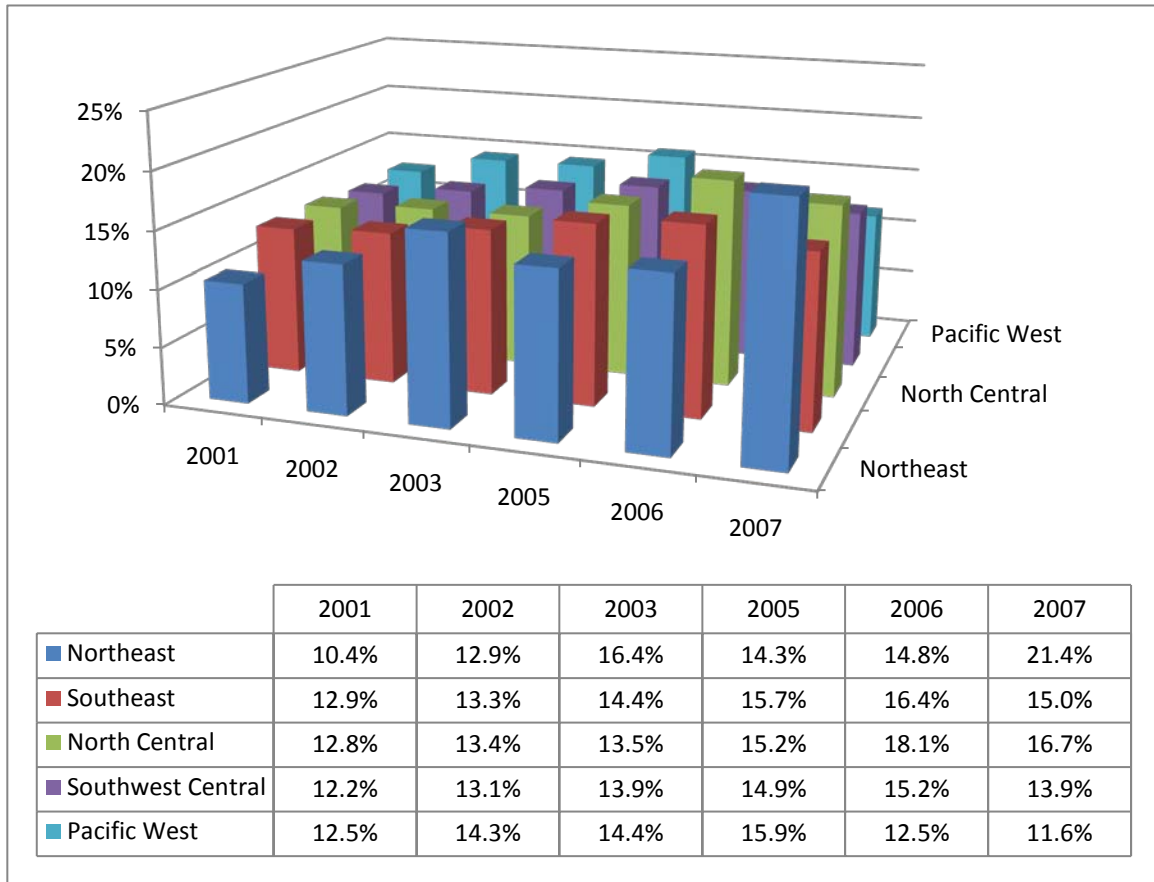


Figure 36

## Recruiting Efficiency Ratio (RER)

Recruiting Efficiency Ratio is simply another way of stating the Recruiting Cost Ratio by subtracting the percentage of cost from 100%. Instead of grading our two recruiters in terms of what they *cost* us, we measure them by how *efficient* they are:

Recruiter X: Her 8.8% recruiting costs becomes a 91.2% efficiency rating

Recruiter Y: His 8.6% recruiting costs becomes a 91.4% efficiency rating

# Chapter 9:

## Optimizing Staffing Technology

*Elaine Orlor and Mark McMillan, contributing editors*

Over the past 20 years, technology has gradually infiltrated the staffing profession and now enables it. While the fundamental tasks have not changed, every aspect of finding, attracting, hiring, developing, retaining and managing the corporate workforce is highly dependent, often *entirely* so, on hardware and software. If the process of understanding and exploiting staffing-related technology is already a hallmark of world-class staffing organizations, this will become increasingly true in the years ahead.

What meaningful help could we offer in this report? We have only a few pages to offer on a subject that is vast, and the Internet already provides access to enormous quantities of information.

Elaine and Mark were encouraging:

“You can absolutely help by focusing on the basics,” they said. “The biggest challenges we face, in company after company, do not involve heavy technical lifting. They involve basic tasks like accurate needs assessment, logical planning, developing business cases and persuasive communication. In other words, the hardest problems are people-related—political, cultural and structural—not hardware- or software-related.”

So this is what our own research reveals, viewed through the prism of our colleagues’ scores of on-site Recruiting and IT engagements. We will focus on helping you answer the questions they themselves would ask in order to self-analyze your problems and weigh solutions. If you use consultants, doing this work beforehand will get you further faster, and will not antagonize the consultants. Sure, consultants may make more money

working for clueless clients, but they actually prefer (and are always more effective) working with prepared, clued-in clients. If you don't use consultants, this chapter will allow you to manage your own technological progress more efficiently.

In this chapter we will use the term "IT" to refer generically to any group or department that manages HR's technology, and "Staffing" to refer to HR generalists who have staffing responsibilities as well as staffing, recruiting and talent acquisition specialists.

## Some Pertinent History

There is an unfortunate wall running through most companies today with line managers (i.e. Recruiting Director, VP, HR) on one side and IT on the other. Originally the wall had a useful purpose: to prevent the line managers from selecting technology à la carte without considering the broader corporate infrastructure outside their departments. Without that control, the net effect for many large corporations had been severe technological indigestion: thousands of pieces of hardware and hundreds of software programs that didn't operate the same way and didn't interconnect well. When growth and productivity began to suffer, IT was told to take over and clean up the mess. And they did, or rather they're still trying to.

Unfortunately, in most enterprises this decision had an unforeseen consequence: over time the wall grew higher. As IT gradually claimed ownership of all corporate technology, it also got to write the rules governing usage, inter-operability and upgrades. Protected by dense jargon that no one else understood, and real expertise that no one else had, they became the referees of what could and could not be done on the other side of the wall.

Enter unforeseen consequence #2. In ceding responsibility for technology, line managers also gradually lost their comfortable, day-to-day familiarity with how it worked and what it could do. So at the same time that technology was becoming more indispensable, it also became more opaque.

Today, the most fundamental technological problem in operating departments is lack of knowledge. Rather than being the masters of the technology they depend on, they are now its prisoners because they know so little about it. The tail is wagging the dog.

## Own the Problem

Staffing departments tell us they view technology with mixed feelings. The most common complaints include:

- We inherited a system that is out of date
- We're not a corporate priority
- We don't control IT decision-making
- No one understands our focus
- We're not recognized as an extension of sales and marketing as we should be

When times are tough (i.e. down economy), everyone thinks recruiting stops - it doesn't.

These frustrations need to be addressed because first-class enterprise staffing can no longer occur using second-class technology. An out-of-date ATS (Applicant Tracking System), a bolted-on sourcing module to an enterprise ERP, siloed data, or poor sourcing records will simply not get the job done.

Staffing technology must unquestionably coexist within the technological ecosystem of the enterprise as a whole. The old, fragmented, every-department-for-itself world will not return. But with a nod to that reality, staffing must participate more deeply in the selection and maintenance of its own infrastructure to meet its performance objectives because:

*Tech companies have the same issues with HR technology as everyone else.*

Only staffing thoroughly understands the work that needs to be done.

Only staffing is responsible for the business impact of that work—finding, landing and retaining talent.

If staffing does not own the problem, IT will own it. If IT owns it, they will make decisions based on what is easiest and most practical for them. We are not demonizing IT here. They are trying as hard as anyone to make the enterprise succeed. But that is reality.

## Learn the Language

DRAM, MIPS, CPU, PNG, FTP. Like all specialties, including staffing, IT has its own language, which needs to be learned. But keep in mind that you're not going to be living in that world full-time, only part-time, so you don't have to master the whole lexicon. You'll only need enough fluency to be an informed consumer and to have an intelligent conversation about your own needs. Much of the conversation will center on non-technical considerations such as:

What technology you're using now and why

How satisfactory or unsatisfactory its performance is

What alternatives are out there now

What those alternatives will be 2-3 years from now

A basic understanding of how things work and how they fit together

What strategic staffing goals are unachievable with your current technology.

## Take an Inventory

A key step to understanding where you need to go is to determine where you are. This requires an inventory. Below is a form to get you started. Don't be surprised if you can't fill in much information at first. We recently attended a gathering of several dozen top corporate recruiting leaders who couldn't either.

Collecting these details will probably require engaging IT and procurement, who will have to consult their files. They may be busy and standoffish. Keep at it. Bring them pizza. This is the beginning of a critical ongoing dialogue.

Don't limit your thinking of technology to just technology providers. Often your recruitment advertising agency will have technology you might use, as well as your providers of background verifications, relocation, immigration, assessments, and job postings. There are hundreds of technology solutions used by these types of suppliers that may be enabling your recruiting function today without your being aware. A thorough inventory takes into account these providers and will help identify overlapping and/or underutilized solutions.

**Table 10 - Technology Inventory**

| Product Type       | Vendor/<br>Product | Version<br>Number | Purchase<br>Date | Expiration<br>Date | Renewal<br>Date | Satisfaction<br>Level | Audience<br>Served |
|--------------------|--------------------|-------------------|------------------|--------------------|-----------------|-----------------------|--------------------|
| Job Postings       |                    |                   |                  |                    |                 |                       |                    |
| Social Collab.     |                    |                   |                  |                    |                 |                       |                    |
| CRM                |                    |                   |                  |                    |                 |                       |                    |
| Assessments        |                    |                   |                  |                    |                 |                       |                    |
| Applicant Tracking |                    |                   |                  |                    |                 |                       |                    |
| Program Mgmt.      |                    |                   |                  |                    |                 |                       |                    |
| Onboarding         |                    |                   |                  |                    |                 |                       |                    |
| HRIS               |                    |                   |                  |                    |                 |                       |                    |
| Corp. Systems      |                    |                   |                  |                    |                 |                       |                    |

## Analyze Your Problems

Once your inventory is complete and you have a starting point, you will have to review what you do and how you do it. Here is what you need to cover:

### 1. Your Environment & Vendor Capabilities

Your operating environment either consists of a group of separate, best-of-breed programs from different vendors, or programs combined in a suite from a single vendor. Very frequently it's a mix of both.

In the corporate HR space, the best of breed vendors and the suite vendors are currently fighting to control the market. Successful best of breed programs (Taleo, Kenexa, SuccessFactors and many others) are furiously trying to become suites, and the big suite vendors (Lawson, SAP, Oracle and a few others) are furiously trying to broaden their functionality to compete with their best of breed competitors. Mergers and acquisitions occur monthly as companies try to buy their way into different market segments. The dual object on both sides is to: a) lock in as much of your technology

budget as possible; and b) eliminate the problems associated with getting different programs to play well together.

**Table 11 - Technology Landscape**

| Applicant Tracking Systems (ATS)                        | Talent Acquisition Systems (TAS)   | Talent Management Systems (TMS)   | HR Management Systems (HRMS)               |
|---|--|---|--|
| Applicant/Resume management<br>Candidate career portals | Candidate relationship management<br>Job distribution management<br>Pre-screening and assessment<br>Program management (ERP, college)<br>Volume recruiting (events)<br>Internal mobility<br>Onboarding | Performance management<br>Succession planning<br>Learning management<br>Competency management<br>Compensation | Benefits<br>Payroll<br>Employee management |
|   |  |   |  |

**2. Your Process**

Every staffing-related task performed by a computer today was once done manually or by an older computer. Think back. Were there aspects of your former processes that worked better than your current processes? Are you are stuck with certain processes because that’s how the current software works? If you could wave a wand and fix the current system, what would you wish for?

These are critical questions. Above all, technology must be functional. The most successful products in the world will waste money unless they do the job you want done. Also, remember that every piece of commercial software is a compromise, designed to cover as much common ground for as many clients as possible. You have to figure out how well that common ground fits your processes and, if it doesn’t, what is missing. All

# Chapter 21:

## Leadership

### Putting It All Together

Jim Clifton, Chairman and CEO of Gallup, makes three remarkable statements in his introduction to the company's report on the findings of its first World Poll, a hugely ambitious project to define "the great global dream."

"Gallup is committed to conducting the World Poll for 100 years, but we may have already found the single most searing, clarifying, helpful, world-altering fact...What the whole world wants is a good job. That is one of the single biggest discoveries Gallup has ever made. It is as simple and straightforward an explanation of the data as we can give."

And a bit later:

"Today's explorers migrate to the cities that are the most likely to maximize innovation and entrepreneurial talents and skills. Wherever they can freely migrate is where the next economic empires will rise...When they choose your city, you attain the new Holy Grail of global leadership: brain gain.

"If you were to ask how to significantly increase your city's [*Ed.: or your organization's, state's, or country's*] GDP, we would say you need to find and develop 10 stars."

According to Clifton, these findings were all the more startling because they were so unexpected. Gallup researchers are trained, as all good researchers are, not to expect such unambiguous findings from so broad and complex a project. Research usually follows a reverse pattern: the broader the scope of the inquiry, the greater the number of variables and the less definitive the conclusions.

If our 20th-century education taught us anything, it was about how things tie together. In that century science, travel and technology transformed our vision of the planet from a

collection of mysterious, isolated and exotic outposts to one enormous, incredibly complex, interdependent, interactive entity. We learned more and more about some of the great unities: How climate influences in one place affect everyone everywhere; How all humans, regardless of appearance, culture or language, are descended from a common ancestor and differ only in biologically insignificant ways; and, How a bank default in New York can raise interest rates in Singapore and soybean prices in Brazil.

Yet despite this extraordinary knowledge awakening concerning our common humanity and connections, the daily news still overflows with conflicts grounded in all the old biases about appearance, culture, ethnicity, climate and financial markets. It often seems as if all our amazing new knowledge didn't and doesn't exist.

So how does this relate to staffing leadership?

According to Gallup, progress is not about getting religion right or culture right, about correct political structures, or sitting on rich natural resources, or knowing the friendliest financier. It's about matching workers to work. Doing this efficiently and effectively is the key to the prosperity of any organized group of humans, from the smallest organization to the largest nation state. The Gallup research put work and workers at the absolute center of the human equation. What great news for staffing professionals and staffing leaders:

*Because our profession is the one specifically charged with matching workers to work, and the one specifically charged with locating and attracting the stars who will create innovation and growth.*

## Why Leaders are Critical

Leadership fascinates us because it is so necessary. Even in the most democratic, consensus-driven, collaborative groups, decisions have to be made, votes taken, and follow-up actions pursued. Groups without leaders invariably disaggregate. Because no one has the authority to act and enforce, they can't get anything done, gradually become apathetic and inert, and eventually dissolve. Some form of leadership is essential to seeing things through and getting things done.

It also fascinates us because while it is so universal, really good examples are so scarce. After 20 or 30 years exposure to the world of organizations, it is extremely rare for any individual to be able to look back and recall more than a few examples of superior management. Most people are lucky if they can experience one or two of these in a lifetime.

Good managers will improve any situation, even the most mundane, but they have their greatest impact during times of rapid and profound change. During such times, when the status quo begins to break apart, performance gaps widen. Somehow a few companies are able to experiment more readily, jettison the outdated more quickly, and redefine

best practice. Quite quickly they begin to move ahead of the competition. Invariably the “how did they do that” ties back to leadership.

These are such times for the staffing profession. When we began publishing this report 11 years ago we had a simple objective: to help organizations improve the efficiency of the traditional staffing model. Since then, Staffing has evolved more rapidly than we ever could have imagined. At the moment, there is an enormous amount of work to be done and we need all the leaders we can find to do it.

## Defining Leadership: A Checklist

Leadership is a rich and complex topic. While this is not a report about staffing leadership, it is most assuredly one about the challenges that staffing leaders will face in the years ahead, and so by extension, the things that they will have to master if they are to succeed. A final chapter on leadership is a convenient way to summarize that material.

Like wealth, leadership fascinates us. Because so many aspire to it or want to become better at it, the literature is vast. If you tried to stack up all the imperatives, skill sets, bullet points, analyses, prescriptions, proposals and definitions currently available, the pile would topple over long before you reached the halfway point. Unfortunately, as with that other sprawling management topic, technology, you can read diligently and end up so swamped with ideas and advice that you feel paralyzed.

Most of what’s out there deals with how to become or act like a leader, in other words, how to manage your career, develop your skills and competencies, create your personal style, and understand and motivate people. That’s a mighty list. We’ll cut it down by offering a job description.

## Position Available

Wanted: Someone to lead the team that will find us the talent we need to grow, innovate, and keep our customers happy; and who will find ways to train and motivate that talent so that it consistently produces the highest quality, most creative work.

We want to run the most efficient staffing operation possible, so please be familiar with and ready to implement all the metrics necessary to evaluate cost, time, structure, process, technology, sourcing and workload. Our minimum target is 20% less than the benchmarks for our industry, and our stretch target is 30%.

We believe that candidate quality is the single most important benchmark of our company’s success. Be prepared to document that we are hiring the best candidates for each job and that they are performing as expected.

Our executives rank talent management on a par with financial management. We will need dashboards to monitor that performance as consistently and accurately as we track sales, profits and market share.

Because we allocate our capital carefully and also believe that all personnel decisions are ultimately financial decisions, we expect all staffing programs, initiatives and experiments to have an ROI that can be compared to opportunities offered by other departments.

We want to have all the talent we need tomorrow as well as today, so we will need you to document all our critical skills and competencies, identify future supplies of same, and build programs for making them available as needed. This will include internal as well as external talent. We also want every critical position in the company to have at least one internal replacement ready to step in at a moment's notice.

We believe that retention and engagement are worthwhile barometers of company health. We expect these to be monitored and to appear on our management dashboard. Not only do we want you to maintain an exceptional queue of people wanting to work here, we also want you to monitor their enthusiasm for staying.

Communication: We will require clear, literate and accurate written and oral presentations on a regular basis to the executive committee, our board of directors, and our investors. We would also like you to be our visible and accessible company representative to your professional peers.

You will be our line of sight into international labor markets. We expect you to be able to regularly brief top management on conditions there and how they affect our future hiring plans.

We know the job market is competitive. We want our employment brand to shine and want to track how it compares to those of our competitors. We are currently in the top ten but expect to rank in the top five within two years and preferably in the top two.

You will sit on the executive committee and report to the COO.

## Defining Leadership

We said this report was not a “how to” book on leadership, but we offer here one of the few concise bits of good advice we’ve come across in years of studying the topic.

We’ve been consistently impressed by the work of James Kouzes and Barry Posner. These men are the real deal, not one-book wonders, bringing 25 years of scholarship and consulting to the issue. Here’s a part of what they have to say about leadership models.