The Four Myths of Talent Management in Challenging Times

As entire industries face difficult changes in this struggling economy, companies are still bracing for the worst. The approach many organizations are taking is no surprise: to freeze hiring, eliminate merit increases, cut bonuses and downsize.

In this bearish landscape, talent management initiatives sometimes become viewed as overhead instead of a necessity. But times like these are when outstanding senior executives can have the greatest impact. When there's insufficient industry growth to keep everyone well-fed, and gaining market share becomes critical for survival, strong leaders are sometimes the only competitive advantage driving an organization's success. Attracting, retaining and developing these game-changing leaders should remain a top priority.

A downturn is not the time to abandon talent management. It's an opportunity to be more strategic in its application for both the short-term and long-term good of the company. To that aim, let's dispel four common myths related to talent in a downturn, and offer key strategic alternatives.

1. It's easy to find talent in a tight job market.

In a contracting job market, companies sometimes assume — incorrectly — that it will be easier to find good people. But since most world-class talent in the highest executive ranks usually remains employed, recruiting the best leadership team is always a challenge. And, as we've experienced in our search work for clients at Spencer Stuart, the "noise" caused by the increase in job seekers can actually make talent acquisition slower and more complex in tough times.

In a world where titans like AIG can falter and Lehman Brothers can fail, candidates may view even promising opportunities at highly regarded companies with caution. Staying at a company where they've built up years of good will may seem like a safer bet. Meanwhile, the decline of the housing market has made top candidates less willing to relocate.

Companies have to work as hard as ever to recruit and attract top candidates. In these efforts, a company's employment brand can be a big differentiator. This brand identity is influenced, in part, by the quality of the company's leaders. But how a company is perceived in the market is also strongly related to how it recruits, so it's

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important for companies to recognize and highlight what makes them desirable to potential employees.

Even companies that struggle to distinguish themselves, and aren't yet market leaders, can cultivate a more appealing employment brand simply by taking a more personal approach to recruiting. For example, by reaching out personally to senior-level candidates throughout the recruitment process, the CEO can help the company attract the strongest possible talent.

2. Retention doesn't matter because employees have nowhere else to go.

No matter how bad the overall economic landscape becomes, businesses in dire straits will still have difficulty retaining talented leaders, and top performers will always have opportunities.

Companies can't assume people will stay. If they don't treat their senior leaders well during challenging times, those leaders will leave. If it doesn't happen during the downturn, it will occur after the economy recovers and alternate job opportunities appear.

With bonuses reduced or nonexistent and equity no longer effective as a retention vehicle, organizations need to find other ways to incentivize employees. These methods can include creative use of long-term incentives as well as nonmonetary rewards.

As companies downsize, people are being paid the same to do more work. Meanwhile, plummeting 401(k) values have left executives who had expected to move into higher-level positions blocked by their superiors who now can't afford to retire. In these situations, it's important for companies to continue to offer employees opportunities to develop, whether through "stretch" roles or work on strategic projects. And consistent one-on-one communication from the CEO and other senior leaders remains a key retention vehicle. It can help remind employees that they are valued and that everyone is in the situation together.

3. Our current leadership team will get us through.

When the economy is strong and a company is in growth mode, it is easy to overlook marginal performance and a casual approach to spending. When profit margins are high and cutting costs isn't a focus, companies can sometimes manage to succeed even without outstanding senior leadership.

But in some cases, even a team that excels at growing the company in prosperous times will not possess the competencies the organization needs to navigate a downturn. At these times, it's important to consider each member of the current executive team anew, ensuring that those in place are the right individuals to lead the company through difficult times.

It may seem counterintuitive to focus on talent when lean budgets make active talent management difficult at best, but those are the times when it's critical to have the best senior management in place. In particular, companies should have the right people leading the functional areas most responsible for the company's cost-effectiveness. The upfront investments associated with recruiting and onboarding strategic talent to bolster these functions are often quickly recouped by the high value of their contributions.

Should a company need to make cuts, it should also ensure that the best people remain. Rather than implementing across-the-board cuts, which aren't strategic and don't succeed in making the operation more efficient, companies should be sure that layoffs are tied both to performance management and to the strategic needs of the organization.

4. We can't worry about the future — we're in survival mode.

Even amid short-term hardship, companies should remain focused on long-term plans — and make sure they have the right people to execute them successfully. Such planning remains a corporate governance responsibility and something that boards and shareholders care about, no matter the state of the economy.

In conducting their annual talent reviews, most companies look at people in their current roles and consider succession planning. They assess their executives and determine who internally can step into important positions and where people should be shifted to prepare them for future advancement. Savvy companies also conduct an external benchmark. When evaluating a position, they'll look outside the company to review other executives in similar roles at comparable companies.

In addition to looking at the roles that exist in the organization today, they also try to predict what roles will exist in the next generation of the workforce. They determine who within the organization can meet these new responsibilities, identify the gaps that will need to be filled and engage in strategic workforce planning to determine the company's talent needs for the future.

A downturn is not an excuse to avoid this kind of strategic thinking — it's a reason to implement it. Sometimes, the companies that emerge strongest from such times are those that survive by developing new ways of doing business. This may mean a move into new markets — and a difficult economy can present an opportunity to find high-quality, strong, available talent with experience in those markets. Or it may mean further international expansion, and a need for the talent to drive it. After all, as the U.S. is in recession, emerging markets such as China and India continue to grow. In even the worst economy, markets of opportunity remain.

The goal of talent management doesn't change when the economy struggles. It's still about building an organization that's engineered for long-term growth and success. Tight budgets don't make effective talent management impossible: they just emphasize the need for a keener focus on the topic, from the CEO on down, to ensure that companies make the most strategic use of their greatest asset — their talent.

Tom Scanlan, author of this article, is a member of Spencer Stuart's Human Resources Practice and is based in the firm's New York office.

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