



**NIGEL WRIGHT**   
RECRUITMENT

talent management for tougher times

an insight into why talent management should be at the top of the agenda during an economic downturn





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## talent management for tougher times

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#### EXECUTIVE SUMMARY

This report details the findings of a recent survey, conducted by Nigel Wright Recruitment, into the changing recruitment tactics required to survive the current economic downturn to ensure you come out of it in the best condition possible.

The survey involved over 300 Managing Directors and board members from a range of companies across Western Europe. Amongst the companies approached over 55% have 3,000+ employees, 70% are multinational and 60% have a turnover greater than €1bn.

The survey set out to identify whether companies recognised what the economic downturn meant in terms of the need to review staffing strategies and if companies were making the most of the current market conditions.

The following key themes came out of the survey results:

1. Companies do not differentiate enough between talent management and performance management
2. Some firms, but not all, recognise that the current market conditions present an opportunity to restructure for the future
3. Firms that take decisive action now in terms of talent management, both in respect to hiring and firing, will increase their chances of survival
4. Skills that delivered results in the boom years are not necessarily the skills required to see a firm through an economic downturn

The findings are based on the personal opinions of the respondents and should serve as an independent insight into the marketplace that can be used as a backdrop to your own assessment and future strategy planning.



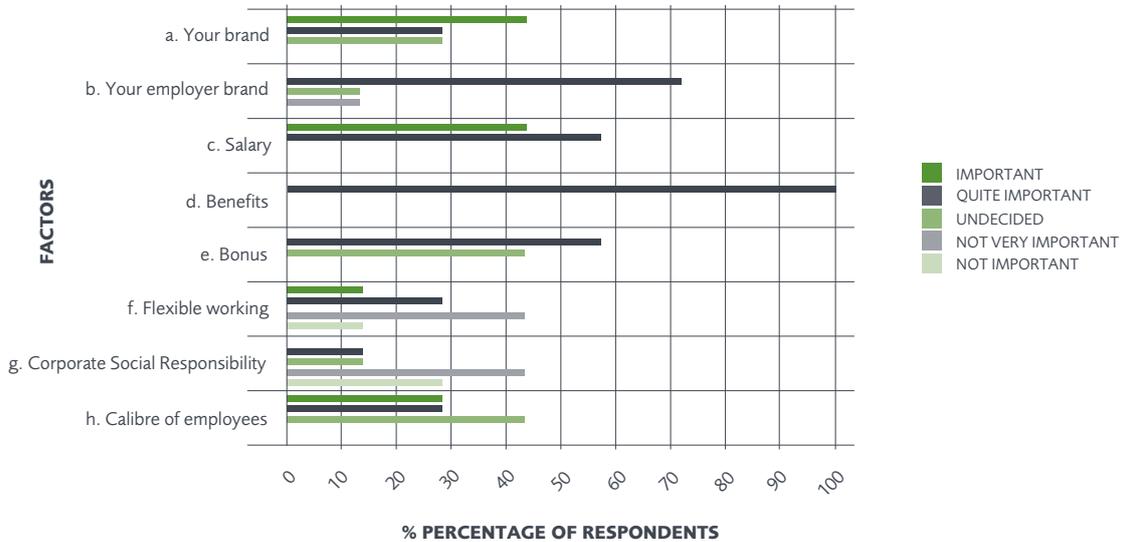
**INTRODUCTION**

Europe appears to trail behind the US in terms of its awareness of the 'War for Talent', the phrase coined by McKinsey & Company back in 1997. In our recent survey of over 300 Managing Directors we learnt that less than 20% of respondents had a formal talent management process in place in their organisation. It may be that European managers simply haven't adopted the McKinsey terminology, however it is more likely that the practice of talent management is confused with that of performance management as 83% of respondents stated that they have a performance management process in place.

What is evident from the study is that often we have processes to measure and manage performance but none that develop, retain or protect the talented staff who deliver that performance. This apparent lack of understanding of the importance of talent management is having an effect on the choices bright graduates and experienced hires are making as they move around the jobs market. It used to be assumed that large successful firms would be the automatic choice for top performing graduates and MBAs. However, a recent update on the 'War for Talent' from McKinsey & Company suggested that many of the best trained people entering the workforce were not selecting the traditional large companies, but opting for start ups or SMEs, suggesting that their attitudes and personal motives might be changing and implying that the traditional 'milk round' employers are not taking this change into account. A recent research project carried out by Nigel Wright Recruitment in partnership with Durham University on the subject of employer branding revealed that social factors had become the lead influence amongst job seekers, above remuneration and application of skills learnt at university, as the key driver when applying for a particular job.

Firms who want to attract the best must take this into account. However, on the contrary our findings seem to suggest that firms still think pay is the key driver to attract new hires. Table 1 demonstrates that there is a significant weighting towards financial benefits being the preferred method firms use to attract talent into their organisation.

**TABLE 1 – HOW WOULD YOU RATE THE FOLLOWING FACTORS IN RELATION TO THEIR IMPORTANCE IN ATTRACTING TOP PERFORMING TALENT?**



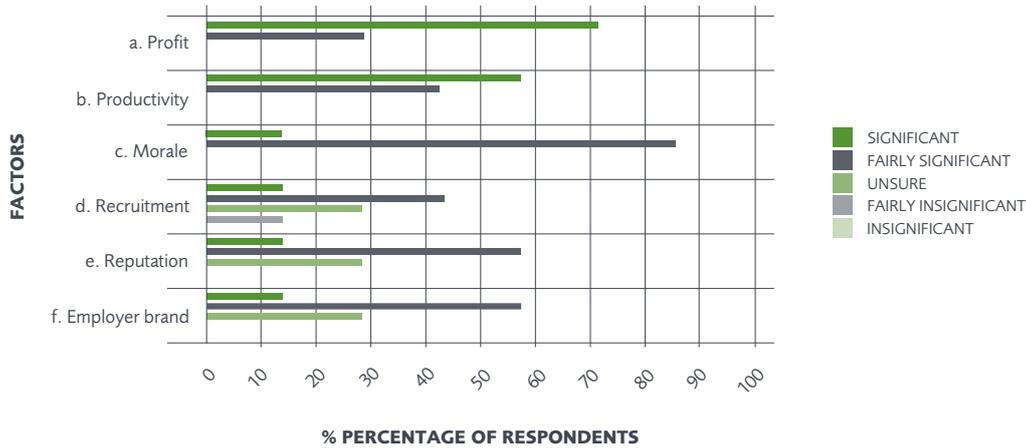
Neglecting the apparent but subtle shift in key drivers and underestimating the emphasis being placed on meeting social needs in order to attract the right talent are likely to lead to staffing issues in the long run. Not only will it impact on a firm's ability to attract the best, if the lack of understanding runs through the organisation, they run the risk of not satisfying the needs of existing staff. This will in turn have a detrimental effect on performance and in extreme cases may lead to turnover issues.

When the economy was strong and there was a surplus of roles to be filled, many companies filled them with adequate candidates to ensure business continuity and in order to get the job done, they did not fill them with the best candidates available. There is a raft of reasons why this was the case, cost to hire, wage inflation, business requirements and so in some ways it is understandable why recruitment corners have been cut. Yet when asked what the effect of having a top performing player in your business is, hiring managers all recognise that their contribution is disproportionate to that of their peer group. There is much written in the academic press on top performers being responsible for greater levels of productivity, profit and revenue generation. This is further confirmed with our survey results, however its significance doesn't seem to have filtered through to a recognition for the need for talent acquisition and retention strategies.





**TABLE 2 – WHAT EFFECT DO YOU BELIEVE RETAINING TOP PERFORMERS HAS ON VARIOUS ASPECTS OF YOUR COMPANY'S PERFORMANCE?**



Our survey showed that there is some understanding of the issues surrounding talent management however there does seem to be a one size fits all view. Our Managing Directors recognise the need to conduct regular performance reviews with all staff, as well as the need to review remuneration regularly, however only 50% of respondents see career progression and training and development as being part of the talent management process. All the indications are that 'generation Y' is hitting the employment market and asking of their employer 'What are you going to do for me?'. This group is no longer attracted by high salaries, they are driven by the need for personal success, recognition of their achievements and a quality of life that meets their values and social needs. This shift in attitude needs to be taken into account when developing your staffing strategies. These strategies have always required careful planning, but never more so than in a recession. Firms need to take an holistic view, taking into account what skills they need and what skills they have, to take action accordingly. Good candidates will always be in demand, especially if they have the skill set required to survive an economic downturn. Our survey results highlight the need to clearly differentiate between performance management activities and talent management activities in order to come through this downturn successfully.

### TALENT ACQUISITION

Many of our respondents had experienced a period of rapid growth prior to the economic downturn, and as a consequence had 'staffed up' to meet demand. They told us that the effect of this today is that they have an imbalance of skills in the business, but with no room to hire. Clearly the expectation is that the downturn will end and businesses will see a return to levels of activity achieved previously. The consequence is that firms need to take action today to reallocate skills to tasks and acquire certain key skills if they don't already possess them. In some cases this will require firms to reduce headcount elsewhere in their business in order to do this.

That said, it would be wrong to assume that talent becomes easier to acquire in a recession. In fact the picture our Managing Directors see is dramatically different, with only 33% saying that talent is easier to hire now than it was three years ago. Those that have staffed up during the good times are much more selective about who they hire now. This inevitably lengthens the recruitment process and whilst this process leads to potentially higher calibre employees, it can also create management and retention issues in the future. This is exaggerated if the incumbent staff are not high performers themselves as they will be put under more pressure to deliver greater results with less resource. Our survey showed that the calibre of fellow staff has a direct influence on intent to quit. It should not be a surprise that good people like to work with good people.

The other phenomenon seen in recent years is that of wage inflation. Our survey showed that pay was regarded by many managers as the key attraction tool, and as a consequence levels of pay have steadily risen. This situation is ready for a correction and the current economic environment makes it timely to review remuneration across the board. However for some this will be a potentially damaging course of action if they don't take into consideration wider attraction and retention strategies such as training and development of staff and investing in their employer brand.



## RETENTION

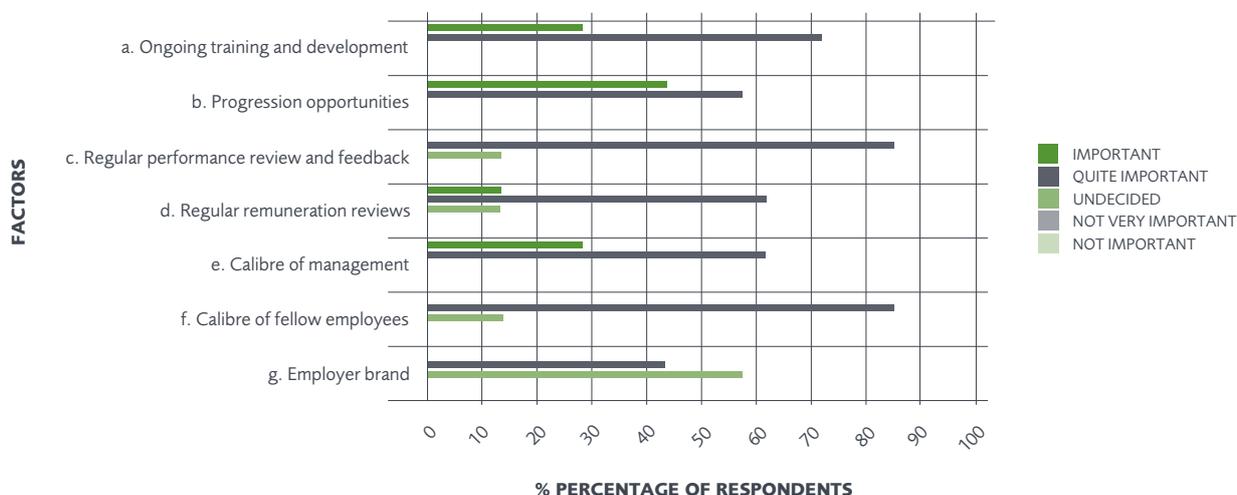
The war for talent may have become a cold war as market conditions tighten, but firms must manage their talent proactively during this time to come out the other side stronger and fitter. Our survey shows a good understanding of retention strategies for top performers, however in reality this understanding is rarely put into practice.

Worse still, the attitude towards talent retention appears to hint at complacency, with half our survey respondents indicating that retention of talent is now easier than it was three years ago. It will be the shrewd players who do well as a result of understanding the importance of properly managing and retaining their most talented operators. As one of our respondents summed up:

*"Normal process (KPI management, competence assessments) only work for eighty per cent of the team. Real talent and saboteurs need individual attention much more quickly than normal process provides."*

Attraction and retention strategies need to be looked at in tandem and to be successful companies need to be considering a lifecycle approach to staffing and take great care in succession planning. Having and keeping the best staff will pay dividends in many ways. You'll have the talented staff to manage you through difficult times, and you'll have talented leaders who will ensure you retain the staff you are developing and continue to attract the best quality new hires.

TABLE 3 – HOW WOULD YOU RATE THE FOLLOWING FACTORS IN RELATION TO THEIR IMPORTANCE FOR RETAINING TOP PERFORMERS WITHIN YOUR ORGANISATION?



## CONCLUSION

Complacency at the recruitment stage today will significantly disadvantage firms as they pass through this recession as they will fail to enter the recovery period with the strongest team possible.

The overriding conclusion to draw from our survey is that different skill sets are required during an economic downturn. Candidates who possess those skills will be in demand and firms that have them will be taking steps to protect them. Firms that recognise this situation will become more aggressive in their attraction strategies. As a consequence, our advice is that you get as close to your staff as you are to your customers, and maintain strong links with your recruitment partner to ensure that you win this cold war for talent.

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