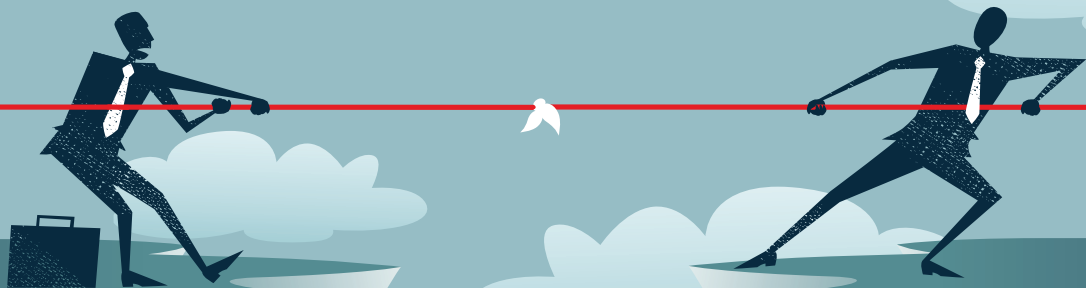


WINNING THE WAR FOR TALENT

How to Attract & Keep the People Who
Make Your Business Profitable



INCLUDES
THE 3 SECRET
WEAPONS FOR
ATTRACTING AND
RETAINING GREAT
PEOPLE!

MANDY JOHNSON

Best-selling author of *Family Village Tribe*

WILEY

Praise for Mandy Johnson and Winning the War for Talent

Mandy's 'Winning The War for Talent' seminar that she ran for us at Bond University Executive Education was the highest-rated program of the year. Mandy's content and workshop process were world-class.

**—James Carlopio, Former Director,
Bond University Centre for Executive Education**

Mandy combines proven business experience with inspiring people skills. Her ideas and practices bring about real change and have invigorated our people and processes... I think Winning the War for Talent will be a brilliant book to help with effective recruiting... It's practical, scientific and has lots of templates for immediate application. I would like to think it can be Flight Centre's recruitment training bible in the future.

**—Graham 'Skroo' Turner, Managing Director,
The Flight Centre Travel Group**

Mandy's book, Family Village Tribe, is the best set text I have ever used in our MBA strategy course. This is an instructive and totally engaging book about the reality of evolving strategy and the creation of one of Australia's best businesses.

**—John Steen, Associate Professor,
University of Queensland Business School**

It's something I think lots of people who own a business should read.

**—Peter Switzer, Founder of Switzer Financial Services
(in reference to Family Village Tribe)**

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**How to Attract & Keep the People Who
Make Your Business Profitable**

MANDY JOHNSON

WILEY

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All examples used throughout this book are based on real events. I have, however, changed the names of the people involved to protect both the innocent and the guilty.

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About the author

Mandy Johnson is a best-selling author, the former UK Director and Australian Head of Human Resources at Flight Centre Limited (the 15 000 employee global travel retailer) and an active speaker and adviser to both public and private organisations. This book evolved from her ‘Winning the War for Talent’ seminar, which was Bond University’s highest-rated executive education program of its year. The seminar’s innovative ideas have featured in interviews in the *Australian Financial Review (AFR)* and Mandy has also spoken on radio including ABC’s *Mornings with Jon Faine* and *The Conversation Hour*. She has presented business seminars in Australasia, the UK, Europe, South Africa, USA and China, and her first book *Family Village Tribe* is now studied in many MBA courses around Australia.

Mandy began her work-life as a tour leader, roving the world for three years after completing a journalism degree. On her return to Australia she joined Flight Centre where she managed several stores, started up the company’s first recruitment and training centre and co-founded its UK operation, becoming the organisation’s youngest ever director at the age of 28. On her return to Australia she became HR Leader and it was here, while researching a best-practice people management system, that she became an active campaigner for innovations in this field.

Dubbed ‘an author HR professionals should take notice of’ by *HR Magazine*, Mandy has tested her practical strategies in a diverse range of organisations, including a stint undercover in a yachting company

which became an *AFR* news story. She began writing business books to share her knowledge beyond the confines of expensive seminars and consultancies and to demonstrate that great people-management is the heart, soul *and balance sheet* of every company. Mandy now lives in Queensland with her husband and two children and challenges conventional HR thinking at every opportunity.

Acknowledgements

This book wasn't a solo effort so I'd like to thank the following people who helped make it a reality: Bond University's Centre for Executive Education head, James Carlopio, who first suggested to me that my seminar 'Winning the War for Talent' was really a book in the making; Flight Centre Managing Director Graham 'Skroo' Turner and Michael Hill International CEO Mike Parsell whose encouraging comments after reading the draft manuscript kept me plugging away at it; Kristen Hammond, senior commissioning editor at Wiley, who understood the point of the book straight away and helped me make it even better; Elizabeth Whiley, Wiley's Professional Development editor, who worked so hard to create an outstanding final product; Chloe Peel for her social marketing skills and Maree Peel as catalyst for the publishing contract; and the hundreds of business people I talked to whose stories of awesome, interesting and absurd people practices in their organisations kept fanning the flame of my fervour.

I'd also like to thank my family and friends for their continued support; Nancy Ahern, who didn't get to read this book but would have treasured it; and of course my husband, John Ahern, who should really get joint author status on this book for the hundreds of hours he put into reading and editing drafts and for always offering outstanding advice.

INTRODUCTION

Why change?

If I were running a company today I would have one priority above all others; to acquire as many of the best people in the world.

Jim Collins, business researcher and best-selling author of *Good To Great* and *Built To Last*

According to the results of a CEO Institute survey, the number-one issue keeping chief executives awake at night is ‘sourcing and retaining skilled staff’. Yet when PricewaterhouseCoopers asked 1300 global CEOs about their operational priorities¹, talent strategies didn’t make the top five. So while CEOs may claim to be suffering from insomnia, it seems they’re doing very little to alleviate the problem.

The question that instantly springs to mind is ‘Why?’ In this age when almost every company is lauding how people are their greatest asset—their number one priority, their most important resource—and with skills shortages dominating the business press, why is there so much talk and so little real action?

This question is even more perplexing when you consider the mountains of empirical evidence that demonstrate the link between attracting and keeping good people, and the business bottom line. ‘Best Employer’ companies achieve on average four times the profit growth of other organisations² and perform three times better than the general market when it comes to comparative stock market returns.³

Even during the global financial crisis (GFC), the US-based Parnassus Workplace Fund—a group that only invests in organisations with a solid reputation for having outstanding workplaces—had an annual average return on investment of 10.81 per cent, compared to the S&P index's 3.97 per cent. The proof really is in the profits. So when there's such an obvious prize up for grabs, the disconnect between what CEOs are thinking and saying and what they're actually doing not only doesn't make sense, it's almost self-defeating.

I became vaguely aware of this problem at the age of 25, when I got drunk at a conference and told my boss that the way the company hired and trained people was crap. (This is not a strategy that I would generally recommend!) Two weeks later he rang and asked to meet with me. I dreaded the encounter, feeling sure that he was going to sack me for my outburst. Instead, he sat me down and said if I thought I knew so much about human resources (HR), then I should turn one of the company's shops into the organisation's first recruitment and training centre. A week later I found myself standing on a street front in the middle of the city with the keys to the shop, wondering what the heck I was supposed to do. That was the start of my new vocation.

I spent the next decade and more developing and honing a system of unconventional techniques that produced extraordinary results and would eventually solve the problems of a host of organisations. I'd like to say that it came about because of Einstein-like intelligence or Branson-style business flair, but that would be fibbing. I had just three things going for me. The first was that I had no conventional training in HR: my Arts degree, majoring in journalism, was about as useful as a wet tissue when it came to HR. So I bumbled along, finding my own practical solutions to problems. I realise now how lucky that was, as I wasn't blinkered by traditional ideas.

The second advantage I had was sheer practice. The global travel company I worked for, Flight Centre Limited, was opening a new store almost every 48 hours. It was business at warp speed. As an HR leader and director, I have now interviewed more than 1000 people and because of the awful, gut-wrenching mistakes I made—particularly in the early days—and some good calls as well, I have learned a lot.

My third advantage was that, just when I thought I knew everything about recruiting and retaining people, I had the ground ripped out from under me. Shipped overseas to help start up Flight Centre in the UK, my conventional methods proved ineffective in an environment where the company was an unknown competing against well-established, 800-store travel agency chains. As if that wasn't challenge enough, as a new company director I was responsible for the growth and profits of the entire operation.

It didn't take me long to work out that good people practices would be the key to my success or demise. If I couldn't hire enough highfliers, our shops stayed empty or were so understaffed that we lost good customers. If I couldn't develop people quickly, or if they quit in the first few months, our costs blew out, morale plummeted, stress levels went up and we ended up in a cycle of destruction. These staffing factors had a far greater impact on the profitability of our small start-up enterprise than if our sales systems were a bit loose, if our books didn't quite balance, if our wholesale deals weren't too sharp or if the calls from our advertising campaigns were down. To overcome these new challenges, I was forced to attack HR from a whole new angle, and the techniques I developed eventually became the foundations of my successful 7-step system.

By the time I returned to Australia and was approached by James Carlopio, head of Bond University's Centre for Executive Education (CEE), to develop and run 'people' seminars, I had a whole batch of effective strategies. And they were now in big demand. Eighty per cent of the university's business clients—a cross-section of small to large, public and private corporations from diverse industries—had rated recruiting and retaining staff as their most urgent business issue. It was actually quite funny as I was back to where I had started: telling bosses (in a far more polite and sober way) how to improve their people processes. But this time I had a lot more answers.

'Winning the War for Talent' became the CEE's most popular workshop that year and participants across many different industries contacted me afterwards to say that they had implemented the strategies to great effect. I was over the moon to see one large, public-listed company cut staff turnover by half, improve its profits by several

million dollars and resume its previously stalled global expansion plans. Others saved hundreds of thousands of dollars in direct hiring costs, filled their vacancies and were amazed at the increased happiness and productivity of their new workforce.

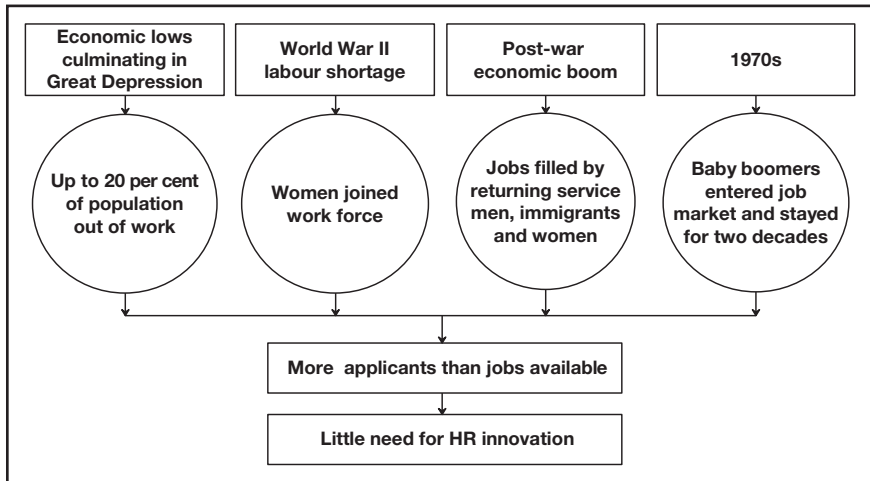
But what fascinated me most about this experience was that not everyone thought about people practices the way I did. Nearly everyone talked about their sourcing and retention problems as if they were reading off a menu card of external factors, such as localised skills shortages, currency changes, competing high wages or Generation Y's alleged chronic unreliability. Only the rare few thought their problems had anything to do with their own practices. And unlike other disciplines in which objective processes were the very foundation of success, good hiring—I was repeatedly told—was simply about 'gut feel', 'reading people well' or using dubious psychometric test data to justify subjective decision-making. Many stuck to this line in spite of all evidence to the contrary that existed within these businesses, such as unfilled vacancies, high staff turnover rates and, of course, disappointing profits.

So I was back to that puzzling question again. Why were organisations spraying around slogans about cherishing their employees, yet not actively doing anything of real impact to measure or improve their people practices? Why were my kind of proven techniques so rarely used in organisations, even though they produced such outstanding results? What was the real cause of this disconnect?

I stumbled onto the answer when I began looking at historical data and found that in developed countries around the world, applicants have outnumbered jobs available for nearly 100 years (as shown in figure I). Consider the economic lows culminating in the Great Depression that characterised the first half of the twentieth century when up to 20 per cent of the population was out of work; the advent of women into the workforce, which plugged the gaps in the labour market during World War II; and the population surge caused by the post-war 'baby boomers', who entered the job market in the mid 1970s and competed for vacancies for the next two decades. For

nearly a century then, hiring was as easy as plucking an apple from a small tree; people were ‘lucky’ to have jobs, and that was how they were treated.

Figure 1: the labour market in the twentieth century



With no requirement for innovation, HR was never recognised as a key business pillar and became a backwater. This atrophy is evident by looking at conventional corporate leadership structure where there are CEOs, COOs, CFOs, CIOs, but still very few ‘CROs’ or ‘CHROs’.

‘People’ people are still seldom elevated to senior levels, have little involvement in corporate discussion and strategic decision-making and are often paid less than their peers in other disciplines. It’s not surprising then, that often these departments have become a dumping ground for administrative tasks such as running payroll or tracking holiday leave and workplace health and safety—jobs that have little to do with the getting and keeping of good people.

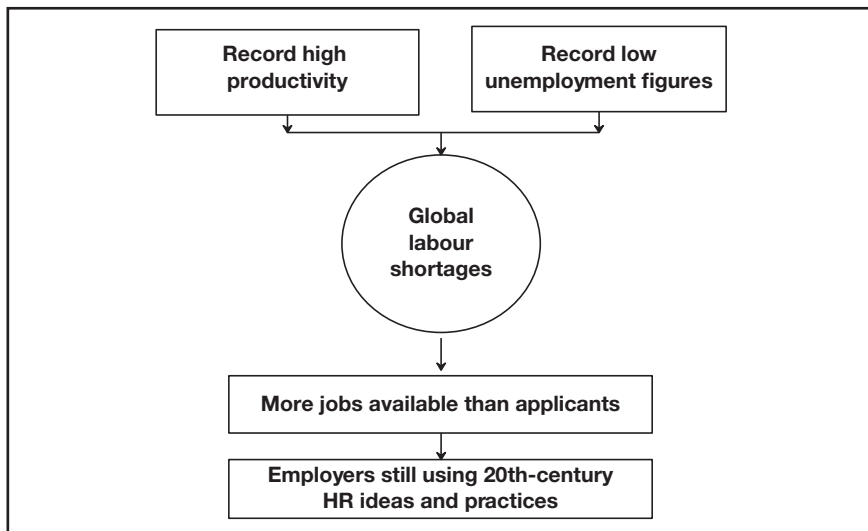
Because most companies haven’t applied the same level of rigour and measurement to HR as they have to their other business systems, subjective practices have spread like a pandemic throughout the industry. The lack of accountability has also acted as a magnet for bureaucrats, so in many organisations HR has become more about control, policing and devising of ever more complex systems, rather

than intelligent practices that facilitate real business outcomes. Instead of being a crucial piston in the engine of business then, the discipline has become stuck at roughly the same stage of development as professional medicine in the eighteenth century, a time when toxic mercury was used to treat many ailments and heroin was the common cure for colds.

The war for talent

This HR inertia is now unsustainable. In the late 1990s, every developed country around the world experienced high productivity and low unemployment (see figure II). Positions vacant outnumbered good applicants for the first time in nearly a century and with the power moving to the job-seeker, the ‘stay for life’ mentality vanished in just a few short years. Employers faced a ‘war for talent’ on two fronts. Not only were they competing to fill new positions, they were also fighting to keep their existing people. This double whammy meant that vacancies spiralled at the very time that many businesses were finding it almost impossible to recruit.

Figure II: the labour market 1990–2007



One CEO told me during this period that his staff turnover rate had soared to 60 per cent. We worked out the figures. He had 400 employees on an annual average wage of \$80 000, so even at the lowest estimated cost of staff turnover at 50 per cent of annual salary, this equated to \$9.6 million per year.⁴ He was shocked. He'd never considered staff turnover in such a tangible dollar value before so he'd never realised how much poor people practices were affecting his annual bottom line. Every 10 per cent reduction in staff turnover equated to about \$1.6 million in profit increase. This became his key goal that year and while a staff turnover target of 50 per cent wasn't going to win him any awards, he'd made a significant first step.

The future

Even though the GFC that began in 2008 relieved some of this employment tension, the battle for talent is now the new reality. Companies are experiencing a paradox in that although unemployment may be high in certain countries and industries, they still struggle to attract and keep the right people. For instance, 14 million Americans were out of work in 2013, yet according to the US Bureau of Labor Statistics there were still 3.7 million unfilled jobs. These figures demonstrate the distortion of the old supply-and-demand curve. Whereas in the 'good old days' many jobs could be held by most candidates, employers now compete for a smaller pool of better-skilled recruits.

To add to the challenge, in Australia, the UK, Europe, Japan and the US the overall workforce is shrinking. As demographer Bernard Salt highlighted in his book *The Big Tilt*, baby boomers are exiting the workforce at a faster rate than the next generations are entering it.⁵ Add to these factors escalating technological skills and increased competition from global employers and it is clear that the days when employing people was as easy as plucking apples are unlikely to return, as you can see in figure III (overleaf).