

# HR SOLUTIONS IN A PREDATORY ENVIRONMENT

How companies can fight back in a tight labor market!

By Brett Haugh



**C**rocodiles are dangerous predators that lurk just below the water's surface, waiting to surprise and ensnare their prey. They are opportunists in a competitive environment where only the fit survive and flourish. Consider the countless Discovery Channel episodes in which the crocodile grabs an unsuspecting baboon or wildebeest right off the edge of the shoreline. What a tragedy, right? After all, the wildebeest and baboon only wanted to satisfy their thirst or to cross the river (in order to get to the other side). The common footage seen on television serves as an important parable. Like Africa, where crocodiles thrive, the landscape of the global marketplace is full of lurking predators. The fact is that the market is full of opportunists, crocodiles, looking for competitive advantages.

Just like the baboon, every company must cross the river or at the very least get a drink of water. The trick is to do so without getting eaten alive. Working knowledge of the players and industries suggests a common thread across all companies. Every company wants to find the best way to help the organization develop an improved workforce to address emerging demographic, economic, geographic and business trends. Across this common thread, a convergence of factors is appearing, especially the beginning of massive retirements in developed countries and the resulting talent shortages and leadership gaps. A company wide workforce initiative is the answer. Now be honest with yourself. You know your company, your management team and your ability and readiness to embark on a workforce strategy. If you are like most managers, you understand that a workforce initiative is as likely as the baboons and the wildebeests collaborating to build a bridge over the river. It will never happen. So, quit deliberating the issue and choose not to cross the river. Avoid having to face the crocodile that lurks beneath the surface. Instead, consider that on your side of the river, there remains an abundance of "low-hanging fruit" that's ripe and ready to sustain you.

## The Endgame

I don't care what excuse you develop that prevents action; the endgame is the same for every company – retention, attraction and an environment that encourages key people to make a discretionary effort. At a time when companies are focused on exploiting opportunities around the world, having a critical mass of talented people who are willing to give the extra effort is a major differentiator that translates into a competitive advantage.

## The "Low-Hanging Fruit"

Since your organization is not ready to cross the river, focus on harvesting the low-hanging fruit on your side of the water. Prepare yourself, because harvesting low-hanging fruit may require you to break down conventions or tip over sacred cows. But in comparison to the lurking crocodiles, old conventions and sacred cows are easier to deal with.

Missed opportunities to reduce costs and improve employee perception and morale are all too common across every organization.

## Ask the Question

Gathering data about what people think is the best first step. Now I know that many organizations don't like to ask questions. They know questions lead to answers, and they believe that answers require action. Throw that idea out the



door. There is no quid pro quo here. The goal is to identify common threads that diminish opportunities for employee engagement (impacting retention) and sap energy from employees who otherwise might make an extra effort.

Start with the folks who recently joined the organization and find out why they left where they were and why they joined your company. The answers will all highlight some lack of engagement between the individual and the company. Typically, the answers fit nicely into the following areas:

- Pay (base and/or bonus)
- Benefit plans
- Training and development opportunities
- Work environment

Next, move to your critical mass of talent and find out what services they might want or need that could reduce turnover and influence employee morale. You will probably conclude that engagement diminishes or people leave due to the following reasons:

- Their pay is no longer competitive in market.
- They have issues with supervisors who have not been trained to effectively manage people.
- Their benefits are too far below average market and industry benchmarks.
- They perceive a lack of training and personal development opportunities.

Once you investigate the issues, evaluate which of the issues you can address the best and develop a plan of action to resolve them. Once the correct action plan is developed, communicate and educate how the action can serve the employees to reduce frustration.

## Benchmark

Benchmarking should be an annual exercise to determine how a particular program or service compares against similar programs offered by competitor companies. If your company, or its consultant or broker cannot demonstrate how you compare to the market and industry, then you are not getting the full value. Benchmarking results can serve to manage expectations and prioritize agendas based on objective data rather than emotional criteria. Benchmarking is an absolute requirement for organizations which:

- Compete in a volatile industry where the competition for talent and retention of employees is critical
- Sponsor benefit plans (like medical and pharmacy) which are subject to volatility in cost and coverage levels
- Manage employee's perceptions which are mostly emotional and not fact based

At a minimum, companies should benchmark pay and benefit plans, these programs most heavily influence the attraction and retention of employees relative to industry and market peers.

## Buy Smart

With respect to benefit programs, most companies have a hidden array of unnecessary and substantial costs which can be reduced or avoided with very little effort. It starts with buying smart, and most companies don't do it. Why? All too often, companies just don't know any better. Besides, it's too easy to leave well enough alone.

Maximizing efficiency in the benefit programs improves the company's bottom line and makes the programs more affordable to participants over the long term. Identifying and capitalizing on the entire universe of opportunities requires a comprehensive baseline assess-

ment of the entire program. Time after time, the opportunities result in savings from seven percent - 20 percent of total program cost. Depending on your employee headcount, the results represent a chunk of change that goes directly to the bottom line. These opportunities do not impact the value of the coverage to participants, and usually present themselves in the form of:

- Aligning coverage levels with benchmarked norms
- Aligning subsidies with benchmarked norms
- Consolidating across divisions to produce economies of scale and negotiation leverage
- Improving vendor contracts and services, especially contracts with Pharmacy Benefit Managers
- Improving employee access to managed care networks
- Quantifying and comparing provider networks to assess if alternative networks produce greater discounts on medical claims
- Eliminating “administrivia” which exhausts HR staff and reduces the nimbleness needed by HR to support the real needs of the company

When cost reduction opportunities are pursued and HR is freed from the administrative madness of supporting the benefit program, HR can be redeployed to pursue real value-added initiatives like personal compensation statements.

### Communicate the Value

Most employees have limited knowledge around the sum total of compensation they receive. As a result, an employee earning \$80,000 per year thinks of himself as an \$80,000 a year employee. In reality, the typical \$80,000 employee is really a \$104,000 professional when you factor in all reward programs. Developing and delivering an annual compensation statement is a powerful retention tool, especially for companies who are early adopters of the initiative. Why is this true?

As employees evaluate employment opportunities, they are trained to discover the sum total of all reward programs that are offered. Guess what? The employer on the other side of the fence probably can't answer the question. Thus, you have removed the basis by which most employees evaluate other employment opportunities.

As silly as it sounds, a simple and personalized statement makes people feel like they are a part of something special.

Benefit and compensation programs promote employee retention by delivering a valuable commodity to employees. Not providing a total compensation statement is a clear failure to maximize the employee's perception of the company's investment in benefits and compensation.

To start, develop a brand, look and feel that exudes the values you are trying to impart. You will be amazed at the reaction and appreciation from employees once you begin the communication and education process.

### Conclusion

The HR executives who collaborate with business leaders to understand and articulate the importance of retaining and attracting key talent to the success of the enterprise and who can play a key role in enhancing the company's ability to do so will be of immense value to the organization. So keep it simple, a feast of low hanging fruit can have as dramatic an effect as exhaustive workforce studies. Plus, no crocodiles! **N**

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