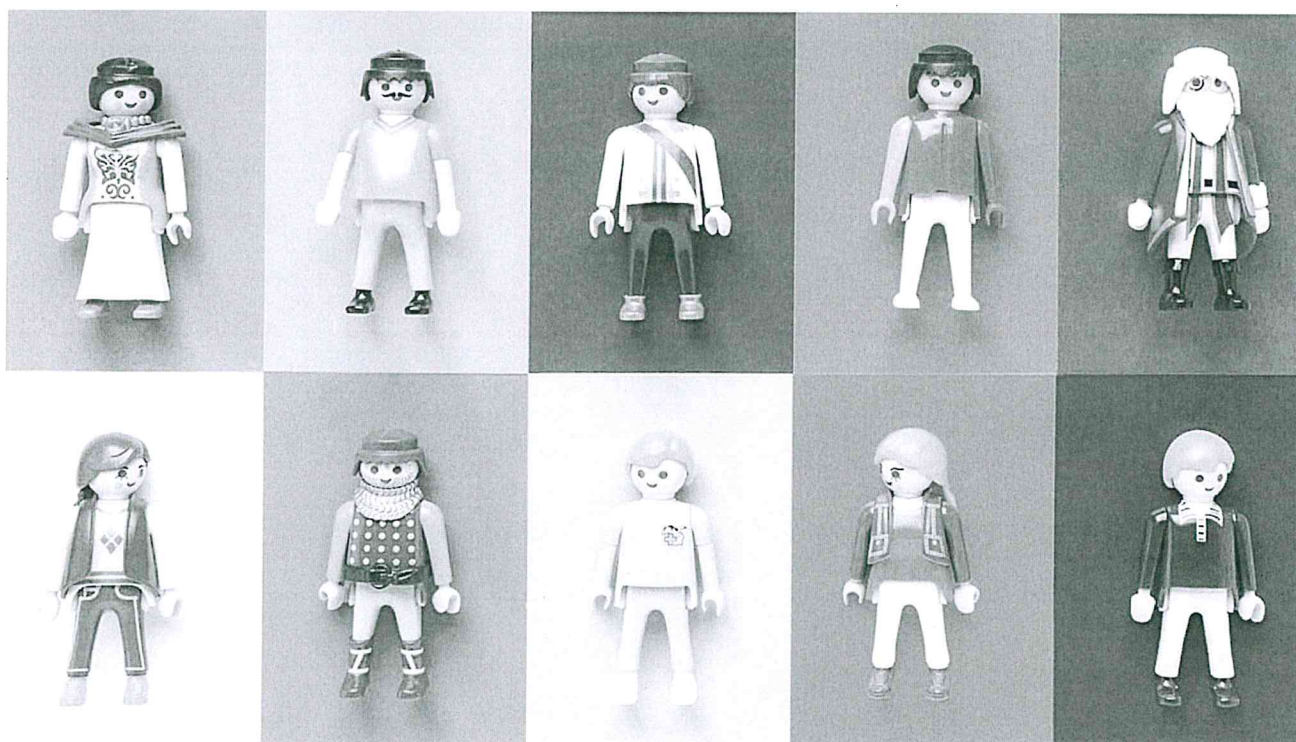


EMPLOYEE RETENTION

Why Companies Overlook Great Internal Candidates

by Wade Burgess

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While the days of retiring from one company after a 40-year career may be long gone, many believe that the pendulum seems to have swung far into the opposite direction. In July, for example, voluntary turnover reached a level not seen since the pre-

recession days of 2007, according to the Bureau of Labor Statistics. And the much-documented job hopping trend might seem to indicate that employees have left company loyalty in the rearview mirror.

This may be true for some. However, LinkedIn's recent Talent Trends study, conducted between January and March of 2016 with more than 26,000 professionals, showed that 25% of professionals today have their eye on a promotion. They don't want to leave their company; instead, they want to stick around and move up the ranks. The problem is, the research also shows that being overlooked for a promotion is the reason that 24% of employees say they're open to jobs elsewhere.

That left us wondering, what's the disconnect here? Are companies overlooking the skilled people in their own workforce?

Perhaps. We see three common scenarios that can cause employers to recruit outside their ranks for talented people (albeit at their own risk).

Hiring managers don't feel that internal candidates have the right skills. This can shake out in a couple ways: Hiring managers think existing employees lack the exact skill match they're hoping to find, or hiring managers are looking for newer skills that aren't in evidence yet at their organization.

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How talent management is changing.

Here's a common scenario when it comes to the former: A hiring manager shares a healthy list of job requirements and asks their recruiter to find someone who fits the bill. But it's tough to find candidates whose skills fit precisely, especially given the pace of change today. Skills evolve and

emerge so rapidly that unless you have an organization-wide focus on professional learning and development, it's unlikely that your team will be able to perform their day job while staying current on the latest skills – especially when it comes to tech-focused roles.

Jobs themselves are changing quickly, too. As the World Economic Forum notes, “Jobs exist now that we’d never heard of a decade ago. One estimate suggests that 65% of children entering primary school today will ultimately end up working in completely new job types that aren’t on our radar yet.”

That’s already happening today. Consider professionals working as app developers, social media managers, or driverless car engineers. Five years ago, if a hiring manager had been searching for those skills in their workforce, they’d be hard pressed to find them. Yet somehow, people with no specific experience with those roles were able to tackle them successfully.

One way to approach a perceived internal skills gap is to consider not just what an internal candidate has done, but what they are capable of doing. Be on the lookout for candidates with crossover skills, which could be as simple as considering someone on your company’s public relations team for a content marketing role. Companies like Mars Inc. and CloudOne (and LinkedIn, for that matter) have taken that a step further, offering rotational programs that help employees develop cross-functional skills and additional perspective. Hootsuite recently instituted a “stretch” program, with an eye to earning employees’ loyalty.

Companies are planning for attrition rather than training for retention. It's true that workers today are more open to opportunity (and more equipped to find it) than in years past. Some companies experience such high turnover that they've taken to hiring only those who can be productive immediately, rather than training the workforce already in place.

But overlooking internal candidates on the assumption they'll take the promotion and then eventually leave (taking their valuable training with them) creates a chicken and egg scenario. Companies often hesitate to skill up their workforce due to concerns about employee loyalty, but has that loyalty declined because workers, in turn, feel like commodities? It would be interesting to see whether the pendulum might swing back if more companies focused on training, developing, and building career paths for the people working for them today.

When companies don't develop their workers and don't hire internally, it ultimately sends a message to employees. This will intensify during the next several years, as Millennials continue to flow into the workforce with expectations of career growth and coaching, and little fear of a job-hopping stigma. If companies don't provide career opportunities, they will leave.

In the end, the cycle of replacing employees only winds up costing more than skilling up: according to a study by the Center for American Progress, it costs about 20% of an employee's salary to replace that employee.

Company culture discourages poaching. Most organizations don't have an open marketplace culture. The politics of managers who think in terms of their part of the system vs. the whole and are unwilling to let talent go internally often means that

these people will leave for external opportunities. Often it's easier to find an external role than an internal one, because outside companies don't come with red tape or rules of engagement.

Creating a ceiling for high performers fosters an atmosphere of limitation, which won't fly with these motivated employees. HR expert Dr. John Sullivan explains that at Google, for example, "a feeling of being 'underused' is a strong predictor that an employee is a flight risk." What's more, a lack of mobility discourages those who do stay from achieving great things. Conversely, employees who see clear career paths are incentivized to continue contributing at a high level.

In conclusion, it helps to remember that loyalty looks different now than it did during the days of long-term employment with one company. Today, it may come in the form of tours of duty, in which you secure an employee's loyalty for a defined period, and each party commits to benefitting the other for that time.

If you're harboring concerns about loyalty at your organization, take a look to see that you're holding up your end of the bargain. Make sure your managers outline career paths for high performing employees and up-and-comers. Encourage them to search internally when they have roles to fill, and communicate your intentions companywide to alleviate concerns about internal poaching. See that all open jobs are posted on your company intranet. Avoid excess attrition by getting smart about identifying flight risk.

Ultimately, the goal is to hire talented people whose career aspirations align with the growth and success of your business. Betting on the potential of talent, playing to win the attrition game, and creating a culture open to growth and advancement can have a material impact on retaining your best employees.

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