

HAS BUSINESS CUT OFF ITS NOSE TO SPITE ITS FACE?

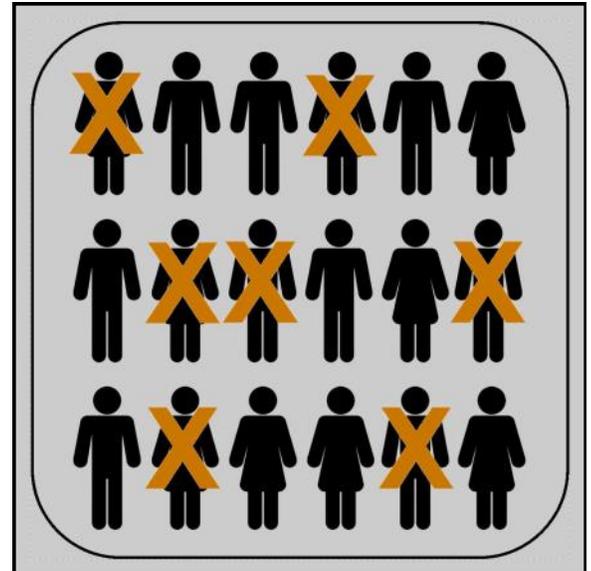
The last 18 months have been hard for Albertans, and while the price of oil is on a sluggish rise, we have seen reductions and layoffs in all industries, not just the energy sector, with a slow return to hiring. These cuts will have an impact in a way that has not yet been perceived, with the question being, have we gone too far?

The boom-bust cycle in Alberta is nothing new. As a matter of fact, the Baby Boomers have experienced this before, first in the early 1980s, with several others of varying degrees leading up to the current downturn. By all accounts though, this cycle is different as it is expected to be a structural change for the oil and gas industry that will affect how companies do business going forward. However, did companies consider their people asset requirements for the future in the latest cost cutting initiatives?

When one looks at the labour market demographics, as has been predicted for years, it is clear that the retirement bubble is coming. The recent reductions have seen companies reduce their staff significantly at the middle management and senior individual contributor levels. These employees were being groomed to be the next generation of “thought leaders” and to fill the leadership gap that will be created by the impending retirement bubble. Although we may not know for certain when the retirement bubble will burst, a look at labour market demographics, along with the Liberal government’s campaign promise to reinstate the retirement age of 65 from the current age of 67, it is certain that it is on the horizon.

The perfect storm is brewing; as a result of the latest cuts and potential retirements, I see a significant void that will be exposed once the economy starts to turn around. There will be a lack of talent who can effectively step into leadership and technical expert roles. As a result, attracting and retaining the right people will come at a compensation premium. In addition, the changing expectations of Millennials in the workplace will create a challenge that will require companies to either adapt or be left behind in their bid to attract and retain emerging talent.

What most companies have missed is an earnest review of their people practices and employee value proposition in order to support this new reality. Without a serious and in depth review, the next wave in the war for talent could result in a repeat of past mistakes. When the economy bounces back, and it will, the available talent pool will be underdeveloped, with the competition for this labour pool intense. I would expect there to be higher costs associated with recruitment, training, development and total rewards, with companies, as they have done in the past, looking to outside consultants to fill the gap. However, the competition for key talent (employee, contractor or consultant) could result in staffing cost escalations that may price some projects and companies out of the market.



In my opinion, people are an organization's greatest asset, and like anything that contributes to a company's revenue, there should be a strategy (short and long term) in place. Companies can look at their labour spend to understand the cost of these assets but, can they articulate the value received and resulting contribution to the bottom line from their people? Companies need to shift their approach to Human Resources from tactical to strategic; only then can a company say with certainty what is an employee's ROI. At any point in time, a company should be able to:

- Track the amount spent on an employee, whether it's from recruitment, development, training, rewards and incentives, retirement plans, benefits, vacation packages, etc.
- Know the expected ramp up costs where the employee is adequately trained and contributing, and measure what they are actually achieving with their new hires and promotions.
- See a positive correlation between investment spent on leadership and training and the company's bottom line.

So, what can an organization do to prepare for what's coming?

- Ask itself what kind of company it wants to be? An employer of choice? And whose choice?
- Assess company values and culture and determine if it's the right one for the long term.
- Reassess, or determine if necessary, the company's employee value proposition so that it attracts and retains the right types of employees, ones who will help the organization attain its long term objectives.
- Evaluate the effectiveness of all employee programs and make changes where necessary.

The answers will be different for every organization, but what remains the same is each company needs to ensure they have the right staffing mix, and one that includes people at all levels, including those poised to fill the leadership gap the next time a boom-bust cycle occurs, which, inevitably it will.

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