



THE 3 MAJOR HUMAN RESOURCE TRENDS FOR 2017

*Your HR Roadmap for Employer Branding,
Personalized Offers and Human Capital Optimization*

By: Lucas Group's HR Recruiting Experts



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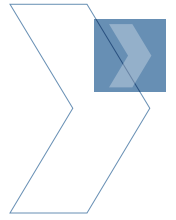
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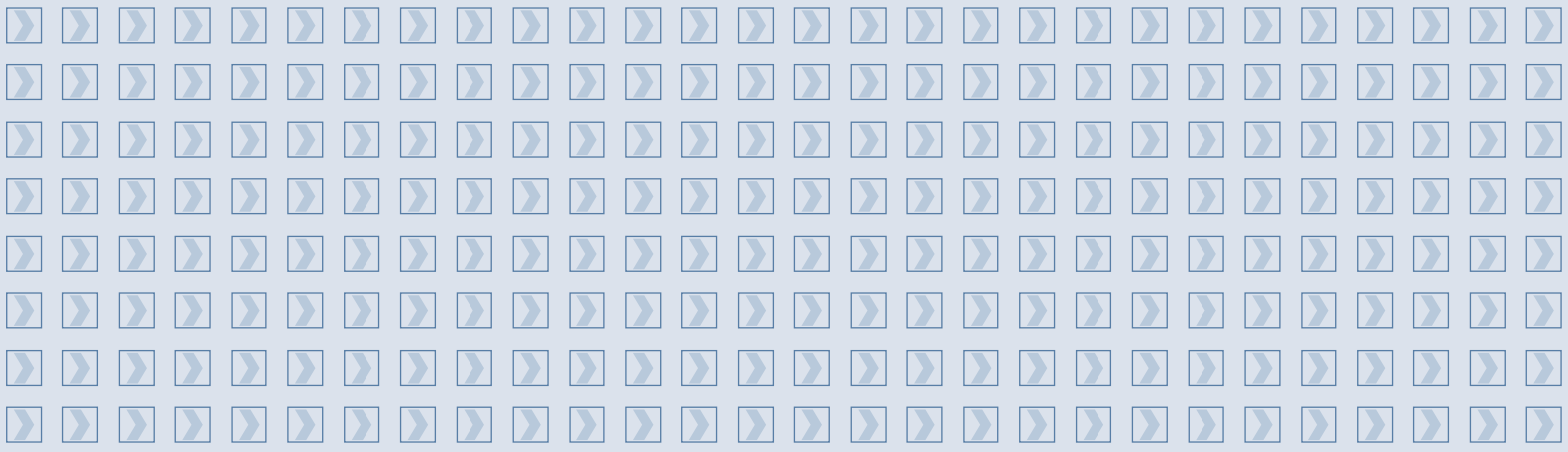
Introduction

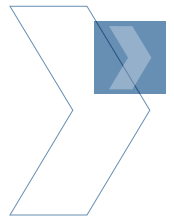
Hiring managers face the most competitive candidate market in more than a decade and HR departments must evolve to get ahead in today's "talent arms race." No longer is HR about record keeping and routine rule enforcement. HR executives wear multiple hats, serving as risk managers, culture coaches, legal experts, marketing strategists and personnel arbitrators. HR leaders play a critical role in optimizing business performance through employer branding, strategic recruitment, and talent optimization.

Leading-edge companies are investing in employer branding initiatives to attract top talent long before a job opening is ever posted. Recruiting is hyper-personalized from the interview to job offers tailored to a candidate's unique preferences and needs. The new focus on human capital optimization is eliminating barriers to engagement and productivity, driving employee success and company growth.

At Lucas Group, our HR executive recruiters are at the forefront of these changes, matching employers with forward-thinking talent ready to meet today's unique recruitment and retention challenges. This collection of white papers draws on their best-in-class learnings to provide your company with a roadmap forward:

- **Employer Branding in a Competitive Candidate Market.** [Managing Partner Kevin Belbin](#) addresses the primary challenge facing today's leading companies – recruiting top talent in the most competitive candidate market in more than a decade – with a step-by-step strategy to help companies strengthen their employer brand before the formal recruitment process even begins.
- **How to Make Smarter Job Offers: Taking an Individualized Approach.** [Managing Partner Sara Luther](#) breaks down the four primary job candidate motivators – culture, lifestyle, career growth and compensation – and provides an actionable roadmap to help companies design custom job offers that candidates are eager to accept.
- **How SMBs Can Optimize Their Human Capital Investment.** [Managing Partner Kyle Lehman](#) highlights three key opportunities for human capital optimization – talent, time and energy – and provides recommendations to bring a human capital mindset to your company.





Employer Branding in a Competitive Candidate Market

How to Build a Strong Employer Brand for Talent Recruitment

By: Kevin Belbin, Managing Partner

[Lucas Group](#)

Hiring managers are facing one of the most competitive candidate markets in nearly a decade. From auditing specialists to network security experts, professionals with specialized skill sets are in short supply and high demand. Nationwide, professional and business services created [574,000 jobs in 2016](#), sending unemployment rates to hit a record low of 2.3 percent. The vast majority of top talent is gainfully employed— and hiring managers are finding this talent is reluctant to switch jobs, even for a higher salary.

Enticing top talent away from the competition is not impossible, but it does require a proactive approach to recruitment that starts long before a hiring manager reads a resume or sits down for an interview. HR departments must recognize that cultivating a strong employer brand is a contemporary recruitment imperative. Your employer brand is your HR calling card: it's what gets top talent excited to learn more about career advancement opportunities at your company and consider interviewing. When this talent does accept an offer, they'll be more engaged, productive hires— driving their success and your company's growth.

Understanding the Candidate Market: Obstacles to Talent Recruitment

Strong demand and a shrinking candidate pool mean today's top talent now has more choices and bargaining power than they've had in nearly a decade. Much of this talent is happily employed, enjoying generous compensation and benefits packages, supportive company cultures, and a clear advancement track. They're content with their current positions and not looking for new opportunities. Top talent missing from the candidate pool means that the majority of active job seekers are "second tier" candidates. Many lack the necessary skills or experience to qualify for open positions. Hiring managers are facing a Catch-22: let a critical position go unfilled or settle for talent that's not the right fit.

Here in Houston, companies face an additional challenge: overcoming job security concerns. Houston's oil and gas industry has been on a rollercoaster ride this past decade, with prices plunging as much as [75 percent](#) during one 18-month period. In a city where [nearly half of all jobs](#) — including legal, sales and marketing, IT, accounting and finance,

In a city where nearly half of all jobs – including legal, sales and marketing, IT, accounting and finance, and human resources – are connected to the oil and gas industry, this market volatility is a major concern.



and human resources – are connected to the oil and gas industry, this market volatility is a major concern. Houston’s business services sector shed more than 13,000 jobs from 2015 to 2016, representing a three percent decline. The downturn forced companies to downsize departments and shrink training budgets.

While the energy sector shows signs of a recovery, individuals who are currently employed are reluctant to leave their companies. These companies provided job security and professional stability during the down market. Leaving now not only feels disloyal but also risky. When another market downturn comes, will this new company work as hard to keep their employees on payroll? Uncertain about your company’s long-term job security, employed talent may play it safe and remain with their current company.

Why Your Employer Brand Matters for Recruitment

A company’s reputation – its “employer brand” – has a significant impact on its ability to recruit top talent in a candidate-driven market. If your business wants to recruit top talent away from their current employers, you must convince this talent that it’s in their best interest to join your company. This is where a strong employer brand can give your company a critical edge.

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A strong employer brand is the difference between unanswered emails and an in-person informational interview. It’s what gets top talent curious about working for your company and open to making the switch. In short, your employer brand can make the difference between successfully recruiting top talent in a competitive marketplace and settling for second-tier candidates that are not the right fit for your business.

A negative reputation can cost a company at least 10 percent more per hire, according to research from LinkedIn Talent Solutions and ICM Unlimited published in [Harvard Business Review](#). Job insecurity, dysfunctional teams, and poor leadership are the top three factors that contribute to a bad reputation. Positive factors include employer stability, opportunities for career growth, and the ability to work with a top-performing team.

LinkedIn Talent Solutions and ICM Unlimited surveyed a nationally representative sample of 1,003 full-time professionals in the U.S. Their findings illustrate just how critical it is for companies to build a strong employer brand. Companies with a negative brand face an uphill recruitment battle:

- Nearly half of the people surveyed would “entirely rule out” taking a job with a company that exhibited the top three negative employer brand factors, regardless of any pay increase.
- Offering a 10 percent raise would only tempt 28 percent of survey respondents to make the switch.

With a strong employer brand, you don’t have to rely on a big salary bump to recruit the qualified individuals your company needs. In fact, this talent may already be interested in working for your company before you even approach them, thanks to their familiarity with your company’s offerings, culture and benefits.



Consider the overwhelmingly positive workplace reputation enjoyed by companies like Google, Boston Consulting Group, Goldman Sachs, and REI. These companies are routinely ranked among the best companies to work for on [Fortune's "100 Best" list](#). Whether they're well known for being cutting-edge innovators, offering industry leading benefits (like BCG's famous [\\$5 co-pays and employee sabbaticals](#)), or for a company culture that values teamwork and integrity, what matters most for recruitment is that these companies are known entities. When hiring managers approach prospective employees, their company's reputation precedes them, paving the way for a positive first conversation.

How to Build a Strong Employer Brand

Attracting and retaining top talent is critical for any company, especially those in highly competitive industries where niche skills are in high demand and low supply. These steps will help your business strengthen its employer brand by effectively communicating your company's values, personality, and workplace culture. Most importantly, you'll start building a positive relationship with potential employees long before the initial interview.

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1. Find out where your reputation currently stands.

You can't improve what you don't know. A misalignment between how you view your company and how prospective hires view it can adversely impact recruitment efforts. Be aware of your reviews on employer rating sites. While you cannot directly control the quality or quantity of your company's reviews, these reviews are still useful for giving a general overview of marketplace sentiment. What makes a workplace desirable for one person could be the opposite for another. However, if reviews consistently reference management challenges, a lack of internal promotion opportunities, or a toxic workplace culture, these reviews are a red flag. They indicate a disconnection between your perception of company culture and your employees' experience that needs to be addressed immediately.

2. Align your employer brand and external brand.

Do you present your company one way to clients and customers and a different way to your employees? For example, your marketing department may position your business to clients as an industry-leading innovator. If your employees complain that management stifles creativity and innovation opportunities, however, your employer branding will ring hollow.

The message you share with the world must align with your company's internal reality and the value your business places on its greatest resource: human capital. This starts by coordinating efforts between your HR and marketing departments. How is your marketing team positioning your company's brand? What does your sales team consider to be your company's key differentiators? Whether your company is an innovation leader or a customer satisfaction expert, remember that it's your employees who truly bring your brand to life. By coordinating efforts between marketing and HR, your company will present an authentic and consistent message to customers, clients, current employees and prospective hires.



3. Mobilize your biggest fans– your current employees.

Do employees love working for your company? If so, that's great news, but announcing high rates of employee satisfaction on your company LinkedIn page isn't particularly inspiring or engaging. Instead, go straight to the source and encourage employees to evangelize on behalf of your company.

Employee advocacy works best when messages are authentic and sound like they were organically created by your employees, rather than mass-produced by your marketing department. Help your employees channel their engagement in a constructive way with a short social media advocacy training session. Get them talking about why they love working for your company. Are they proud to help clients or deliver a specific product solution? Do they enjoy the autonomy to be innovative or the supportive management that guides career advancement?

Employee advocacy doesn't have to be complicated. Effective advocacy can be as simple as sharing a photo of the HR team grabbing lunch together or a congratulatory tweet for an employee's work anniversary. What matters is that your employees are sharing their authentic experience about what it's *really* like to work at your company– strengthening your employer brand and building a positive reputation.

Employer branding efforts don't stop once a prospective hire agrees to an interview. The interview process is a prime opportunity to reinforce your employer brand and assuage any concerns – like job stability or career advancement opportunities – that could keep talent from accepting your offer.

4. Demonstrate longevity and loyalty.

What is the average tenure of employees at your company? In Houston where the oil and gas boom/bust cycle impacts job market stability, employees are loyal to companies that take care of them. Prospective hires want to be sure that during a tight market their employer will do their best to retain employees rather than rushing to downsize. If possible, introduce your prospective hires to employees with long tenures. Provide opportunities for casual conversation outside of the formal interview, such as arranging an informal lunch or coffee. Prospective hires can ask candid questions about advancement opportunities and job stability without the pressure of being “on” during a formal interview.

5. Answer the “*Why is this job open?*” question.

Even if prospective hires don't come right out and ask, they're likely wondering why this position is now open. Did the previous employee leave because of management issues or other institutional barriers to success? Or, did the previous employee leave due to a spouse's job relocation or other personal reason? When appropriate, reassure prospective hires that the opening occurred for reasons that have nothing to do with your company's culture or promotion process. Doing so may help boost their confidence and willingness to interview.

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6. Sell your company culture.

Once you bring employees in for the interview, ensure their experience aligns with their expectations. If your employee brand is centered on innovation and creativity – but they encounter a stagnant company culture upon arrival – this undermines your previous employer branding efforts. Ensure that everyone involved in the interview process, from your hiring manager to your front desk receptionist, is prepared to deliver a consistent message aligned with your employer brand.

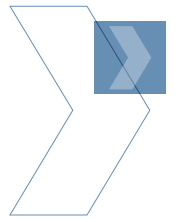
Next Steps: Employer Branding Through the Employee Lifecycle

Building a strong employer brand delivers benefits beyond a competitive recruitment edge. A strong employer brand engages and motivates current employees, boosting productivity and ultimately improving your bottom line. In a competitive talent market, this engagement is also essential to reducing turnover rates. Disengaged employees are more vulnerable to competitor offers, costing your company valuable resources for recruitment and onboarding, not to mention the loss of institutional knowledge.

Strive to ensure the experience of working for your company matches the brand promises you have made to these new hires. Your employees are your company's greatest asset. Keep your new hires engaged and they will, in turn, help you recruit even more top talent.

I'm interested in your experiences and perspectives on talent recruitment in Houston. Please send your ideas and comments to me at KBelbin@lucasgroup.com.





How to Make Smarter Job Offers: Taking an Individualized Approach

By: Sara Luther, Managing Partner
[Lucas Group](#)

“*What am I doing wrong?*” I hear this question all the time. Clients come to me baffled. They’ve been trying to fill a role for months, extending multiple job offers and losing the candidate every time.

Five years ago, extending a standard job offer was enough to close the deal. That’s no longer the case. In today’s hot job market, candidates can afford to be picky. Job growth is booming and many hot skill sets are in short supply.

In May 2017, [US employment](#) declined to 4.3 percent, a 16-year low. Employers and recruiters have to work hard to lure candidates into interviewing. And once you have gotten the candidate on the hook, it is even harder to reel them in. Top candidates are fielding counter-offers and competing offers left and right.

The biggest mistake I see employers make is taking a one-size-fits-all approach to the process. Part of my role as a recruiter is to keep clients focused on what matters to the individual candidates they are interested in hiring. From the moment the candidate has an initial phone interview with their prospective new employer through to onboarding, it is critical to customize the process per the candidate’s unique profile.

Customizing your offer to a candidate’s individual priorities means rethinking the way you approach the interview process. A traditional job interview is very formal in nature. The interviewer asks questions about the interviewee’s qualifications and experience. They may throw in a few questions about personal priorities but it tends to yield canned answers about seeking challenging work and growth opportunities – the “right” answer but often not the real one. To get the real answer, you need the candidate to trust you. The interview process becomes an exercise in relationship building.

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The Role of the Recruiter

As the candidate’s most regular point of contact, the recruiter (internal or external) plays a critical role. Early in the process I not only ask candidates what matters to them, but also how they would rank the things that matter to them and how much weight they put on each one. After each interview, I come back to that list – “You told me you want X. After talking to Interviewer A, do you think the role fulfills that?” Each time I come back to the list I get a little more information about what the candidate cares about. I get a better sense of how upcoming interviewers can adjust their approach. I prepare my clients by arming them with this information so they can court the candidates based on



their needs. And I begin to piece together the perfect offer – one that captures the individual’s unique concerns and priorities and makes them feel like it’s an exceptional offer they simply can’t refuse.

Although every candidate is unique, over my 11 years as an executive recruiter, I have seen certain themes emerge. There are four primary buckets that candidate priorities fall into: Culture, Lifestyle, Career Growth and Compensation.

CANDIDATE TYPE ONE: Culture

Who is the Culture candidate?

The majority of my candidates say that Culture is their number one priority when considering new employers. The Culture candidate prioritizes the people they work with and the environment they do it in over the specifics of the role. They’re willing to bend on other factors to be a part of a company and team they love. The office is a home away from home, a place they look to for a sense of belonging and identity.

How to spot them

Culture candidates often reveal themselves when you ask about their current position and why they’re exploring other opportunities. They’ll speak to “fit” or a recent change in who they’re working with/for. They might talk about seeking a company with particular values that they think are missing. Listen for the sense that their current role doesn’t “feel” quite right because it’s a feeling that you need to sell them.

How to close them

When you’re trying to close a Culture candidate, don’t rush the interview process. Make sure they meet employees of various seniority levels that they are likely to work with both directly and indirectly. If particular employees have a great rapport with one another, try having them do a joint interview so that the candidate can observe the camaraderie. Don’t keep the candidate in one room and rotate the interviewers; show the candidate the office or give them a tour of the facility.

Prime interviewers to talk not only about the position’s day-to-day requirements, but also about the broader experience of working at this company. Culture candidates are very tuned into employer brand. If they’re sitting in the room with you, they are probably already attracted to the type of employer they perceive you to be. They need confirmation of their preconceived notions. What that means can vary wildly. Someone who is attracted to the innovative employer brand of Google is looking for something different than the female empowerment-focused employer brand of Avon. Speak to that employer brand and how it comes to life in your day-to-day experience.

You need to feel out these candidates a bit. I found the perfect candidate for a client recently after a very long search process and we didn’t want to lose her. The cultural piece was by far her biggest concern and it ended up being a three-month-long courtship. We couldn’t rush the process because she needed to be in the right headspace when we delivered the offer. We were very thoughtful about who she interviewed with and what they focused on in each one. I had the hiring manager have a more casual, “off-line” conversation with her over dinner as a final interview. By the time we extended the offer, she accepted with no questions asked.



It's always a best practice to deliver job offers by phone but it's especially important for these candidates who want to experience your genuine excitement to have them join the team. Then keep the connection going as they consider the offer. Have one or two people that got along with the candidate especially well call to follow up, conveying their desire for the candidate to join them and offering to answer any questions.

CANDIDATE TYPE TWO: Lifestyle

Who is the Lifestyle candidate?

Lifestyle candidates are concerned with their work-life balance. This is common with many younger millennials who have a strong preference for flexible work schedules. But it's also something we see with older millennials and Gen Xers who have spouses and children to consider as well as deep roots they would have to pull up if you want them to relocate. While devoted to their work, these candidates have other priorities they put a tremendous amount of weight on. Without accommodating those priorities, you're very likely to see your offer countered or rejected.

How to spot them

It's [illegal to ask many of the questions about family](#) that are essential to understanding lifestyle candidates. By building trust and rapport, however, these candidates often become comfortable enough to share the lifestyle factors that are major considerations in their career decisions. Take the time to engage in small talk and let them get to know YOU. The more your relationship develops, the more likely they are to open up about the more personal factors that could lead them to accept or reject a job offer.

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How to close them

Unlike Culture candidates, the key to lifestyle candidates lies as much in the terms of the offer as in the courtship.

It's really important to get the offer right on the first try with these candidates because they don't want their employer to grudgingly accommodate them. They want their priorities to be respected. Any indication that they aren't could lead to rejection.

For example, I helped place a candidate who due to unique factors in her personal life would need two weeks off during what would have been her first six weeks at the company – not an easy pill for an employer to swallow. Having an employer that would be flexible with her needs was far more important to her than money. Most companies would either not allow that time off or would allow it off but without pay. Instead, I advised the company to give her the time off fully paid to show their flexibility and respect for her work/life balance needs. That gesture is what clinched the deal.

Depending on your company's policies, you may or may not have wiggle room. But, if you're able, paid time off, work from home options, and flexible hours are all options to consider. When you really want someone, get creative. For one sought-after senior candidate, a company not only agreed to have him commute to the office during the week and fly home to where his family was based each weekend – an arrangement many companies aren't comfortable with – they offered to pay for the flights.



I'm also seeing clients get savvy about the way they roll out the red carpet for candidates they want to relocate. They've realized you don't just have to sell the candidate; you have to sell the spouse. They'll fly out the whole family and do a full realtor tour before extending the offer. The goal is to figure out what is important to the family and show them the location in a way that highlights the things they care about, including schools for the kids. If it's a dual-career family they often offer out-placement services to the trailing spouse. Finally, they'll provide a firm to handle the relocation logistics.

During the interview process and while extending the offer, don't forget to emphasize standard benefits that these candidates might appreciate as well. Childcare services, maternity/paternity leave and high quality healthcare plans are offerings that demonstrate your company's respect for the workforce's personal needs and augment the candidate's perceived value of your offer.

CANDIDATE TYPE THREE: Career Growth

Who is the Career Growth candidate?

The Career Growth candidate is all about their ambition. They want responsibility, a path for rising quickly and are looking for the best opportunity to drive their career forward. Paying dues isn't in the cards for these folks. They want to work hard and rise on their merit, not time served. They want to have their talent recognized, respected and rewarded.

How to spot them

Career growth candidates wear it on their sleeve so they won't leave you guessing. They'll have lots of pointed questions about career path, promotion timelines and management responsibility. They're go getters and they don't hide it.

How to close them

A big part of selling career growth candidates is placing emphasis on your company's culture of merit-based advancement.

Talk is cheap so let them see what's possible by selecting interviewers carefully. Put them in front of people that have advanced quickly within the company. Let them see young people in management roles. Make sure each interviewer emphasizes the importance of the role you want them in and the impact they can have on the overall organization.

Career Growth candidates thrive on feedback and look forward to being reviewed. Receiving constructive feedback allows them to track their progress towards their goals. Formal reviews may only happen once or twice a year but you can offer more frequent, informal reviews. If possible, include promotion opportunities on an accelerated schedule in the offer.

They also see enormous value in mentorship, so highlight formal and informal mentorship opportunities available at your company. The opportunity to have someone especially desirable or senior as a mentor is highly prized access that could help clinch the deal in your favor.



While things like the identity of a mentor can't be agreed to contractually, there is still value to putting them in writing – a gentleman's agreement if you will. Include with the offer a detailed description of not only the job responsibilities but the impact you are looking for them to have on a macro level and what you're offering to support their career growth.

One big warning - It's essential that you not promise anything you can't deliver because these candidates will bolt for greener pastures if the growth opportunity isn't what they were promised. Companies put a huge amount of investment into sourcing and training new employees, which is a sunk cost when employees aren't retained. If you don't think your company can satisfy this type of employee, it may be best to leave them be.

If you still want to pursue a career growth candidate but can't offer a fast rise in the ranks, there are more nuanced ways to make the sale. I work with a client who promotes very slowly in comparison to their competitors; they've found that their people get huge value out of spending more time in a role. That's not easy for an ambitious candidate to accept in a hot job market when competitors are promoting every year. But the promotions are much bigger as is the jump in responsibilities. And the flatter structure means more exposure to senior executives. In the medium to long term, there's a big payoff.

CANDIDATE TYPE FOUR: Compensation

Who is the Compensation candidate?

The Compensation candidate is exactly what the name sounds like. Their number one priority is maximizing the monetary value of their offer. Other factors may play into their decision but they can generally be nabbed for the right number. It is very rare that a candidate rates compensation as their number one priority. If they do, it is a red flag to a recruiter because any counter-offer can immediately swing the candidate away from your company. If you end up working with this type of candidate, you have to make sure there is one other "bucket" that is a top priority as well. Otherwise, you will lose them at the offer stage.

If you end up working with this type of candidate, you have to make sure there is one other "bucket" that is a top priority as well.

How can you spot them?

Savvy candidates try not to talk about money early in the interview process. That's because the further into the process money comes up, the more leverage the candidate tends to have. This is the reason many companies require a desired compensation number or compensation history to process applications. However, you won't have that luxury when you're the pursuer, not the pursued. Listen carefully for any signs that you have a Compensation candidate on your hands but you may not know what you're dealing with until you're close to making an offer.

Don't make the mistake of stereotyping based on age. A 2014 [Intelligence Group study](#) found that 64% of millennials said they would rather make \$40,000 a year at a job they love than \$100,000 a year at a job they think is boring. But with [53.5 million millennials](#) in the US force, that leaves a whole lot of millennials who care about the money more than other factors. Making assumptions about a candidate's offer based on their age is a huge risk.



How to close them

Money candidates are tough. What they want is straightforward, but they're also the easiest to lose to a counteroffer or competing offer.

This is a space where companies are actually getting really creative. Due to company policies, competing on base salary may not be an option but there are a lot of ways around that. You can offer a sign-on bonus or stock options. You can make them eligible for a pro-rated bonus to make up for money they're walking away from at their current company. You can guarantee a minimum bonus for their first year. You can make them eligible for a merit increase on an accelerated schedule. You can offer a company car or other transportation cost coverage.

The most interesting incentive I'm seeing is retention bonuses. Companies offering hefty sums that are awarded over time so the employee gets the money they're after and the company has an employee that is much harder for a competitor to entice away.

I had a financially motivated candidate who I advised to go ask her current boss for more money before looking elsewhere. They declined to raise her base but offered her a \$60k retention bonus - \$20k after a year and then another \$40k after two years. That's a very smart offer and a lot of money to walk away from.

When you present the offer, be sure to also lay out the monetary value of the company's benefits even if they are standard. Draw the candidate's attention to the value of the complete compensation package as opposed to the individual elements.

These are the situations with the greatest potential to turn into a back-and-forth negotiation. Don't get caught up in playing that game. If the candidate is money motivated, don't waste time—cut to the chase with the best offer possible. As the recruiter, I make sure the candidate knows that I've been negotiating on their behalf in the background so they aren't leaving money on the table.

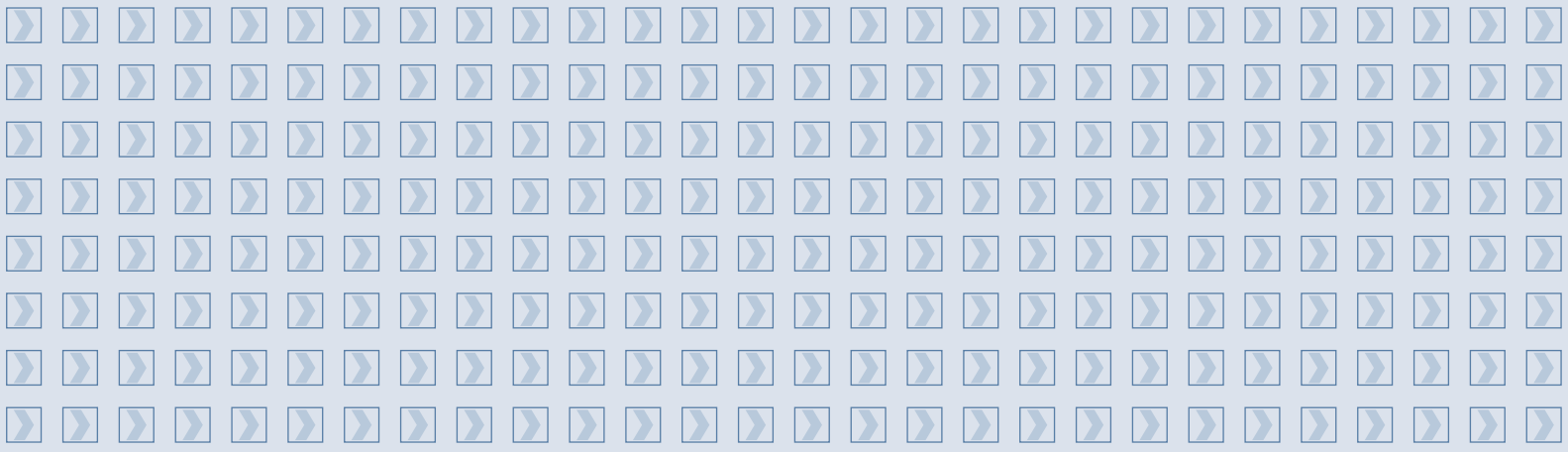
Next Steps: Determining Your Approach and Making the Offer

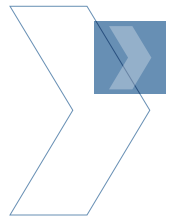
Companies have limited resources so you're not going to throw the kitchen sink at every candidate hoping that the magic bullet is in the mix. Figure out the 1-2 buckets your candidate most falls into. Then determine what your company can flex on within those buckets – it may be very little at the junior level but probably a whole lot at senior levels.

Put together an interview strategy based on the person's profile. After each interview, return to that strategy and adjust based on any new information acquired.

Finally, address the candidate's preferences in the offer to the greatest degree you're able.

In my experience, this individualized approach is much more likely to yield an acceptance than a one-size fits all approach, especially in this candidate-driven market. You will fill open roles more quickly and prevent candidates from slipping through your fingers.





How SMBs Can Optimize Their Human Capital Investment

Why Your HR Team Needs a Human Capital Mindset

By: Kyle Lehman, Managing Partner, Lucas Group
[Lucas Group](#)

Today's "talent arms race" is creating new recruitment and retention urgencies. A company's ability to recruit and retain top talent is just the starting point; how a company strategically deploys their talent is what truly matters. This brings human capital to the forefront as companies' most valuable resource – and leading-edge companies are acknowledging this by bringing a human capital mindset to their Human Resources departments. This approach empowers HR professionals to optimize the three key components of human capital – time, talent and energy – driving performance productivity and company-wide success.

Why HR Needs a Human Capital Mindset

Companies are struggling to close the widening gap being created by the rapid pace of change in the digital age, including changes to human capital acquisition and deployment. Eighty-one percent of HR leaders surveyed by the [2017 Deloitte Global Capital Trends report](#) identified "talent acquisition" as a major challenge. Increasingly, companies are integrating cognitive tools and analytics into recruitment to address these gaps. Even with the latest technologies, however, companies must still address larger organizational issues associated with talent deployment. After all, it doesn't do anyone much good to pay top dollar for talent if your company's institutional barriers stymie this talent's ability to succeed.

Your company's most important resource is not a tangible one. It is not a product, technology, or intellectual property. Your company's people – its human capital – are its most valuable resource. That's why CEOs and HR experts routinely talk about the importance of "investing in human capital" and "developing and retaining human capital". Yet at many SMBs, business leaders are struggling to keep up with day-to-day business demands, much less invest resources in human capital development. Their HR departments are focused primarily on paperwork, benefits and compliance issues, rather than assessing performance, identifying individuals who drive team success, and then empowering these individuals to be even more effective. That's a major and potentially crippling oversight given today's talent arms race.

**Your company's people
– its human capital –
are its most valuable
resource.**

Companies must make talent acquisition, retention and deployment decisions that are grounded in reality. For example, can your HR team readily identify which employees actively make their teams better? What about



the individuals who are more “behind the scenes” players and not readily receiving recognition? How can your company empower these individuals or eliminate existing barriers to success? Without a human capital focus, HR departments often lack the essential resources, leadership buy-in, and oversight to identify and take action on opportunities for productivity and business performance improvement.

Human Capital divisions have traditionally been associated with larger companies. SMBs of any size – even those with HR departments of one – can benefit from adopting a strategic approach to time, talent, and energy optimization, forecasting future talent needs, and refining the current hiring process. From Fortune 500 companies to small and medium-sized businesses (SMBs), HR must rebrand, reposition, and reorient itself if it is to play a critical role in improving business performance and increasing return on investments in human capital.

Human Capital in the Workplace: Talent, Time and Energy

Human capital can be measured by focusing on its three key components: [talent, time and energy](#). Eric Garton, a partner in Bain & Company’s Chicago office and leader of their Global Organization practice, defines these three components as follows.

- Talent: The skills, capabilities, and ingenuity employees bring to their work
- Time: The hours that employees put into their jobs
- Energy: The level of engagement, passion, and focus employees apply to their work

Human capital is converted into productivity and economic value through the interaction between talent, time and energy. By analyzing these three factors, HR departments can identify opportunities to optimize their organization’s overall performance, tying human capital back to business objectives through actionable, strategic insights.

1. Talent.

From exhaustive executive searches to generous compensation packages, companies invest significant resources recruiting and retaining top talent. The thinking often goes something like this: the more talent a company has on staff, then the greater success that company will achieve compared to the competition. However, this focus on amassing the greatest amount of talent overlooks the importance of strategic talent deployment.

Strategic talent deployment is a productivity force multiplier. An inspirational leader who is attuned to her team’s strengths and weaknesses, for example, will know how to get the best effort from her team. This results in an exponentially positive impact on strategy execution, performance, and productivity for the entire company. Conversely, ingrained company processes could be limiting this employee’s ability to effectively empower her team. Not only does this reduce her talent output, this also disproportionately reduces her team’s entire output potential.

HR improvement takeaway:

Start by identifying the structures and processes within an organization that are hindering talent deployment. Systematically removing these obstacles can dramatically improve talent deployment and boost company-wide



workforce productivity. Next, consider which employees are “star performers” and evaluate their respective strengths. Each star performer may have a slightly different approach to management. Ensure star performers are appropriately teamed with the right employees to serve as a “talent productivity multiplier.”

2. Time.

Structural time-based losses occur when companies hard-wire time-wasting routines into their operating models, like unproductive weekly staff meetings. Structural hierarchies, processes, and systems codify and exacerbate these time losses. For example, consider the weekly staff meeting: this meeting could be a legacy based on established precedent from supervisors or managers who are no longer even with the company. Yet due to institutional norms, the meeting continues each week, causing a workflow interruption that extends far beyond the one-hour time slot.

Behavioral losses are linked to cultural norms within an organization that exacerbate inefficiencies and cripple talent deployment. For example, consider a mid-level employee who has a new idea: how much autonomy does that employee have to pursue his idea? If the employee has to navigate a maze of decision-making norms and feedback systems while the idea slowly makes its way to the top of the chain for approval, by the time the employee gets the green light, weeks or even months may have transpired. These structural and behavioral barriers not only result in time loss but can also lead to employee disengagement. If an employee is consistently frustrated by long waits for project approvals, the employee will be less likely to pursue innovative ideas in the future and more likely to accept the status quo—hardly a desired outcome for either the employee or your company.

HR improvement takeaway:

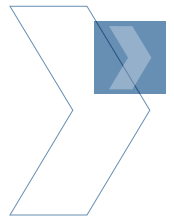
Identify and address the root causes of time-based losses. Start by assessing structural opportunities for improvement: what current hierarchies or processes consistently waste time? Next, direct the focus to behavioral opportunities for improvement: what institutional norms have erected unnecessary barriers to success? Changing institutional hierarchies, processes and norms can be a tenuous and at times controversial process. A candid evaluation and tough conversations may be necessary to help company leadership stop inadvertently blocking their own company's success.

3. Energy.

Energy – the level of engagement, passion, and focus that employees apply to their work – is the single largest source of productive power. Talent that encompasses all three intangibles will deliver a higher quality of work than talent with just one or two of these elements. For example, an employee may be passionate about a specific cause or issue, but if that employee feels disengaged at work or is unfocused, this passion will not translate into results.

Energy – the level of engagement, passion, and focus that employees apply to their work – is the single largest source of productive power.

Balancing accountability and autonomy is an additional energy consideration. High performers thrive when given the freedom to innovate and create. They also need to be held accountable for their performance and end results. The right balance for your organization or individual employees may look very different than what's



right for other companies. HR can help by providing direction.

HR improvement takeaway:

A single-minded focus on engagement overlooks the importance of passion and focus for talent deployment optimization and performance success. Start by shifting your company's conversation away from "How can we improve employee engagement" and towards "How can we inspire and energize our employees?" Next, consider how the workplace environment balances autonomy and accountability. Remember that the right balance may be very different between teams or even individual employees.

Bringing a Human Capital Mindset to Your HR department

Empowering HR departments to honestly describe what's really going on within an organization and provide actionable change recommendations requires a shift in thinking. Company leadership must acknowledge that the challenges of today's talent marketplace go beyond recruitment. Strategic talent deployment is critical to an organization's bottom line success as well as its retention efforts. After all, employees are less likely to leave a company if they feel like they are in a position to make a real difference with their work. Employees who spend all their time trapped in unproductive meetings or waiting on an approval chain for next steps are less likely to feel their individual work matters.

Company leadership must acknowledge that the challenges of today's talent marketplace go beyond recruitment.

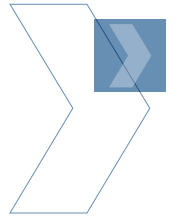
The role of HR with a human capital mindset will be slightly different at every company since it must be tailored to that company's needs. For example, if your organization is struggling with productivity, HR should be empowered to give an honest assessment of this organizational challenge and improvement opportunities. This could start with an in-depth look at time losses and the structural and behavioral opportunities for driving productivity improvements.

These are general next steps to bring a human capital mindset to your company:

1. Empower HR to expand its focus to human capital assessment.

Problem: To secure leadership buy-in, HR must rebrand from a division that exists primarily to monitor compliance to a division that is viewed as an independent value generator.

Solution: When presenting your case to the executive team, give clear examples that quantify your HR team's potential impact on talent deployment optimization. For example, if your organization is struggling with productivity, note that the average company loses [21 percent of its productive power](#) to time-wasting interactions, like unnecessary or inefficient meetings, according to research published by Harvard Business Review. Institutional norms hardwire these time losses. As an external department, HR is uniquely positioned to objectively identify and effect change on these processes. According to HBR, companies with a human capital focus are able to reduce productivity loss by nearly 50 percent simply by addressing structural and behavioral time-based losses. Document examples of structural and behavioral time-based losses and opportunities for removal or refinement.



2. Define the process: goals, scope and outcomes.

Problem: Even with compelling research supporting a shift in HR's focus to human capital, executive leaders are unlikely to support an initiative that lacks a clear workflow process or guidelines for measuring success.

Solution: Position your HR team for success by establishing guidelines regarding goals, scope, and outcomes.

- **Goals:** Define your vision and mission. For example, if the big-picture vision is to be an independent value generator for your company, how will HR apply a human capital mindset each day to achieve these goals? What milestones need to be reached each month or each week to achieve this bigger goal?
- **Audit:** Assess where your company currently stands. What known human capital issues are impacting talent deployment? Don't overlook the resources already at your disposal. For example, your HR department may have a wealth of exit interviews; what information can be gleaned from these interviews to identify and address specific human capital problems?
- **Scope:** Based on the audit, prioritize which issue to tackle first and drill down on specifics. For example, if declining productivity is a persistent problem for your company, HR could look at structural time-based losses, behavioral losses or talent teaming. Detail which element of the productivity problem HR will address first.
- **Outcome:** How will you measure success? Both qualitative and quantitative assessments may be relative. Start with an employee opinion survey to establish a baseline and then determine relevant intervals for measuring program impact.

3. Create a roadmap.

Problem: Identifying a human capital problem is just half the battle. Your team still needs a clear roadmap for implementing institutional changes to address and correct the problem.

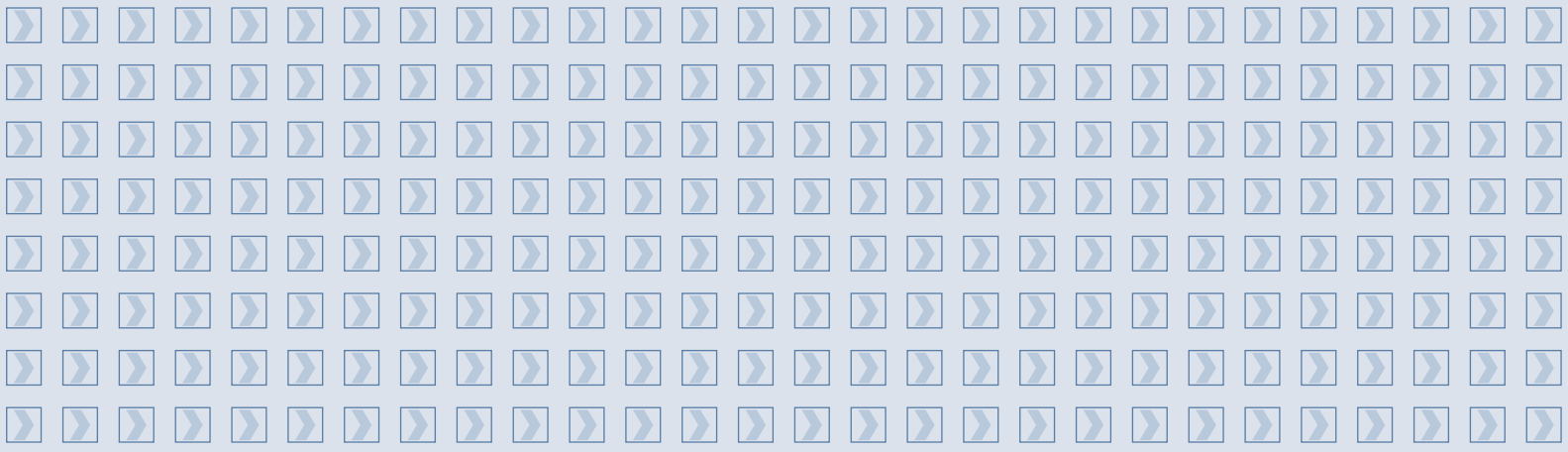
Solution: Determine the best method for building change consensus. This may start with an assessment presented to the executive team detailing the problem in full and the adverse impact on your organization. Next, detail each change recommendation, a timeline for implementation and expected outcomes. Returning to our productivity example, if you identify weekly team meetings as an institutional barrier to productivity, consider how you will explain the problem to the executive team and present a solution. What is the stated objective for these meetings and why is this objective not being achieved? How can this objective be better realized through alternative options? For example, you might suggest replacing weekly team meetings with a one-on-one monthly meeting to set goals, provide constructive feedback on previous goals, and identify action items for improvement. Another option could be spot-checking performance goals in real-time and following up if expectations are not met, rather than waiting for a weekly "check-in" to determine that the team is behind on a project. Keep the focus on constructive solutions and ensure buy-in from all parties affected by the new policies.



The Future of HR

Talent and culture are the biggest drivers of innovation, growth, and performance. It is not enough, however, to simply hire talented people. Here in Denver, for example, unemployment rates are at a [historic low of 2.6 percent](#), giving talent significant leverage when it comes to selecting their next employer. This places an emphasis on human capital as a resource investment that must be strategically deployed to satisfy the importance of keeping superior talent. Now, more than ever, company leadership must recognize the importance of human capital and take concrete steps to empower HR. Through human capital management, HR has a profound ability to impact and influence a company's success, setting the tone and vision for a company's future.

Tomorrow's talent market may be very different than today's. Everything from new technologies to unemployment fluctuations can have a profound impact on talent recruitment and retention. Integrating a human capital mindset into your HR department today will equip your company with the resources it needs to address whatever challenges tomorrow may bring.





Conclusion

Building the HR Department of the Future

Talent and culture are the biggest drivers of innovation, growth, and performance. To build and retain workforces, HR departments must proactively evolve to meet today's competitive recruitment and retention challenges. This starts with building a strong employer brand, personalizing job offers, and adopting a human capital mindset to optimize talent deployment and create a compelling employee experience.

At its core, every company is in the people business. Lucas Group is committed to connecting your HR department with the talent and resources you need to set the tone and vision for your organization's future. Together, we're building the HR department of the future.

About Lucas Group

Lucas Group is North America's premier executive search firm. Since 1970, our culture and methodologies have driven superior results. We assist clients ranging in size from small to medium-sized businesses to Fortune 500 companies in finding transcendent, executive talent. Candidates fully realize their ambitions and associates find professional success. To learn more, please visit Lucas Group at www.lucasgroup.com and connect with us on LinkedIn, Facebook, and Twitter.

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