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The Re-integration of Employees out of the Supply Chain Back under the Corporate Fold

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ABSTRACT: *As western economies begin to strengthen following the downturn experienced since 2008, an increase in employee turnover in high-skilled service industries is expected. With employees attempting to career progress by seeking employment with direct competitors every 2-3 years (the pre-recession culturally accepted norm), employee skills and their client lists could perceived to have been managed akin to a link in the supply chain, however in the recession 'buyers' market' conditions there have been concerns of job security, and tenure has increased. Job dissatisfaction is at an all-time high. The psychological impact of the strengthening of the economy will once again drive 'sellers' market' conditions. This, combined with the appreciated increasing value of employees in the high-skilled service industries, will result in greater employee bargaining power, a potential 'talent exodus', and therefore a shift in nature and structure of the supply chain. In order to establish competitive advantage as a result of the macro-environmental change, corporations within high-skilled service industries can leverage off of this employment culture paradigm through timely horizontal re-integration of employees back under the corporate fold; joined up thinking between Marketing and HR could help retain valuable talent whilst attracting restless talent from their competitors, providing a superior quality product to the end customer and ultimately increasing shareholder value.*

Keywords: Departmental integration, Supply Chain, Human Resources, Talent retention, Employee engagement, Talent migration, Post-recession

Employee turnover is the rate in which employees choose to exit out of an employer-employee contract (Phelps & Terry, 2010). It has been monitored by most major jurisdictions for up to the last 23 years (Ahlrichs, 2012), and is often a delayed variable influenced by the health of national, international and global economies (Anderson, 2013). Previously considered to be solely a Human Resources issue, a relatively contemporary appreciation of Brand now places employer turnover, and the variables that influence it, firmly within the remit of Marketing (Buckingham, 2008; Crain, 2010; Ind, 2003; Ind, 2005; Lishan & Lat-sen, 2007; Mosley, 2007; Sartain & Shuman, 2006).

National figures indicate the beginning of a slow but steady strengthening of the economy following the extended period of recession (BLS, 2013); as is often the case when predicting macroeconomic movements, the forecasted time of recovery and its effect upon different industries is widely disputed.

Hazards of Economic Forecasting

Medium, or even short-term global economic forecasting is hazardous (Gledhill & Janes, 2012): In 2011, Right Management (United States based talent and career management experts within the 'Manpower Group'), suggested that western economies would begin to strengthen to pre-recession conditions within 3 years and this would have a net negative effect on talent retention within 5 years. Come the 1st quarter of 2012, both the USA and the UK had experienced a 2 quarter negative growth, and so both countries fell into a double dip recession, delaying the predicted result of Right Management's forecasting.

Tenure during Recession

There is discussion around the implications of the data presented by the BLS (2013), and the U.K. equivalent (Office of National Statistics), on forecasted employee turnover. One argument presented by CIPD (2013) is that the increase in tenure over the recession, particularly in the financial services, could be 'contagious' and so talent retention may not be an issue of concern once the economy strengthens, however heavy and highly rational counter arguments are presented in that the increase in tenure was to be expected in the 'buyers' market' (the employer here being the 'buyer') conditions prevalent during times of recession, where job security following mass redundancies became a concern for a large proportion of employees within Financial Services (Ray & Levanon, 2013; Right Management, 2011).

Psychology Vs Culture

Exploring deeper, the consideration of the socio-psychological factors of tenure should be assessed. Schein (1965), suggests that an unwritten 'psychological contract' is developed between and employer and employee, and the ability for such a contract to be broken heavily depends on the strength of this relationship. With current significant drive towards employee engagement, particularly within Financial Services (Best Companies, 2013), it would be expected that the bond between conscientious employers and their employees should be stronger than ever, however the failure to align Brand Image with Brand Identity is undermining this relationship (Crain, 2010). Furthermore, the lateral job seeking culture widely accepted in Financial Services and the perceived benefits of 'jumping ship' every 2-3 years (Mckenna & Parker, 2012), suggests that the employee turnover net effect will most likely be positive given favourable conditions.

The argument for increasing employee turnover is furthered by Ray & Levanon (2013), whose primary research found that 49% of employees would seek employment with a competitor given the opportunity. Although this research was not industry specific, Ahlrich (2012), after secondary dissemination of a number of privately held industry primary reports, states that roughly half of this 'restless' 49% were the skilled professionals in high-end services such as Finance. Right Management's (2011), primary research of 2080 surveys across 17 countries representing more than 20 industry sectors, probed deeper into the issue and found that worker satisfaction in 2011 was at its lowest level since 1987, and that only 14% of respondents globally anticipated a decrease in employee turnover. Despite the strength of the primary data forecasting an increase in employee turnover, the validity of questioning individuals on what is fundamentally behaviour governed by social heuristics is debateable (Hutchinson & Gigerenza, 2006). Interestingly, the social heuristics argument that undermines the primary survey data actually strengthens the aforementioned primary qualitative data of Mckenna & Parker (2012), who used focus groups to explore the perceived acceptance of lateral job seeking between competitors within Financial Services.

After thorough critical assessment, it is being suggested that increasing confidence in the global economy following a recession will result in a rise in employee turnover within an undefined timeframe (Ahlrichs, 2012; Anderson, 2013; CIPD, 2013; Ray & Levanon, 2013; Right Management, 2013; Phelps & Terry, 2010).

Employees as Valuable Resource

In order to appreciate the potential impact that increased employee turnover may have, one must first appreciate the value of employees in high-skilled service industries. As high-skilled service industries (such as the Financial Services) are marketing and selling intangible products (Shostak, 1977), the product's quality is a reflection of the capabilities, knowledge and skills exhibited by those carrying out the service; the staff. Logically, high-skilled service companies with higher quality staff will have the ability to provide a superior product.

The utilisation of these competencies is determined by the employees' attitudes and their resulting behaviour (Sartain, 2006). Therefore not only is talent retention valuable, but so is employee engagement (Mosley, 2007). This combined with customers' increasing expectancy for the highest quality of services (Lishan & Yat-Sen, 2011), and the developing appreciation of the impact that staff have on Brand Authenticity and Corporate Reputation therefore Brand Equity (Ind, 2005), results in high-skilled service staff becoming an increasingly valuable resource.

Employees' Increase in Power

The ultimate power of employees within a corporation is determined by a complex array of dependant variables such as quality of management & leadership, corporate structure, and workplace dynamics (Bartel, 2002), however less focus is placed on independent variables, such as the external market environment, by traditional stakeholder mapping theory. The economic and socio-psychological drivers discussed in 1.3 fall outside employers' scopes of control and will result in a pluralistic increase in employee power. Fig 2.21 plots employees on a development of Mendelow's (1985) power/interest matrix utilising Mitchell's (1997) Eight typologies of stakeholders, with an appreciating of these macro-environmental changes. Note the transcendence of employees up Mitchell's list of level of influence from 7 out of 8 (Discretionary) prior to the recession, to 4 out of 8 (Dependant) during the recession where employees became increasingly concerned over their job security (as 1.2 above), to top of the list (Definitive) where legitimacy and urgency will soon be matched with power as the economy strengthens.

Buyers' market to Sellers' market

The recession shifted the balance of power from a 'sellers' market' to a 'buyers' market' when the market became heavy in supply but light in customers (Gledhill & Janes, 2012). This is also true of the employment market (1.2 above). As the economy strengthens however, the comparatively thinned supply will become high in demand. When considering that employers effectively buy time and expertise from their employees as well as the trend for employees to laterally job seek with competitors every 2-3 years (Mckenna & Parker 2012), the change in relationship on account of the macro-environmental change is best appreciated by viewing the employee as if they were being managed as part of the supply chain. This approach is particularly useful when considering the increase in power, influence, interest and urgency of this stakeholder, which effectively results in the employee's greater degree of bargaining power (Wilson & Gilligan, 2012). Figure 2.31 is an adaption of Porter's (2008) 5 forces, depicting the shift in the structure of the supply chain in this regards. Note the employees' greater level of independence from the employers as job security becomes less of a concern, and how it is suggested that some focus of competition will shift towards talent recruitment and retention (the employee).

Supply Risk

Appreciating the increasing value of talent (impact on profit) and the potential talent supply risk in the emerging 'sellers' market', the shift in nature can be plotted on a Kraljic portfolio purchasing model. Figure 2.41 depicts this.

Viable Sources of Competitive Advantage

Table 3.11 lists the competitive advantages (of those proposed by Davidson, 1987) that may be attainable in the context of this shift in the employment culture paradigm.

Differentiating through Exploiting other Activities of the Value Chain

The simple recognition of the employee's position as a 'seller' is the first step towards leveraging the competitive advantages listed in table 3.11. Aligning Marketing with HR as depicted by Figure 3.21 is essential to address this paradigm shift in order to retain talent and build the brand image, whilst attracting restless talent from competitors and creating a superior product. Such a strategy will result in horizontal re-integration of the supply chain for the performing corporation; bringing employees back under the company fold by encouraging deeper emotional bonds (psychological contract) between the employee and the brand, as well as greater service value (the product).

In order for the strategy to be implemented successfully it is suggested that skills, attitudes and behaviours will have to adapt as follows:

Skills

As suggested by figure 3.21, transformational management and leadership will be essential for the implementation of such a strategy. Motivational leadership skills will equip managers with the ability to emotionally engage the employees with the brand (Crain, 2010). Organisational supportive leadership has a significant effect on employee brand building behaviour (Lishan & Yat-Sen, 2011).

Strong personal communication skills will be essential for marketers to develop productive relationships with HR professionals and wider staff.

Equipping marketers with an understanding of HR (and vice-versa) will be essential for the success of internal, as well as talent attraction, marketing (Sartain & Shumann, 2006).

Attitudes

Due to the unspoken externalisation of employees in the supply chain as a result of the emerging market conditions, employees are often viewed as just a resource. Horizontal re-integration will require a Keynes approach (employees as an individual) rather than a Smith approach (employees as a number/asset), as employees will only connect with a brand if a personalised 2-way dialogue is established and maintained (Losey et al, 2005).

Departments striving to work with, rather than compete with, other departments (for budget etc), will allow for better alignment and maximum utility of shared resources.

A positive attitude towards sharing corporate direction will connect the goals and objectives of every employee to the overall business strategy (Hay Group, 2010).

Acceptance of employee performance as a key consideration in the marketing mix is essential for high-skilled service industries (Ind, 2003).

Behaviours

Living the brand, Managers and leaders need to be brand ambassadors and lead by example to encourage staff to adopt the employer brand. This will result in the alignment of identity with image (strengthening corporate reputation) and providing maximum value to the end customer (Buckingham, 2008).

Employing qualitative research will allow an appreciation of staff motivation and values rather than the numeric output from traditional employee engagement surveys. Qualitative research will help refine materials and messaging to provide maximum return on investment on internal and talent attraction marketing (Stepp et al, 2007).

Managers need to become an active component of day-to-day business, interacting with all staff, in order to obtain an appreciation of, and then better shape, brand identity.

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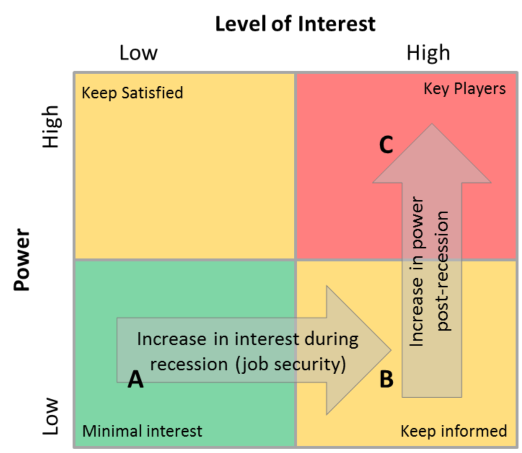
Appendices

Figures and Tables

Fig 2.21: Plotting employees over time on a development of Mendelow's (1985) power/interest matrix



A: **Discretionary stakeholder**- Possess legitimate claims but have no power nor urgent claim

B: **Dependent stakeholder**- Lack power but have urgent and legitimate claims

C: Definitive stakeholder- Powerful and legitimate stakeholder with an urgent claim

Figure 2.31: Adaption of Porter's (2008) 5 forces, depicting the shift in structure of the supply chain

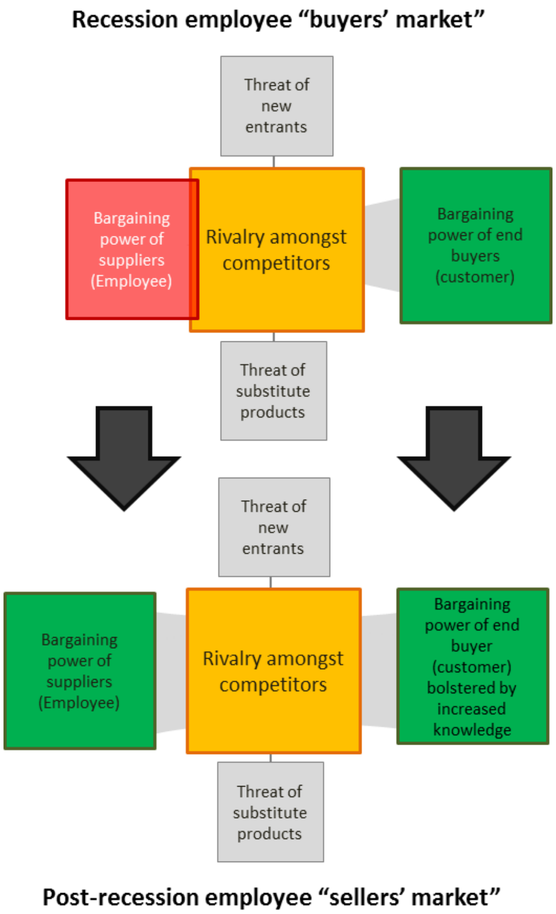
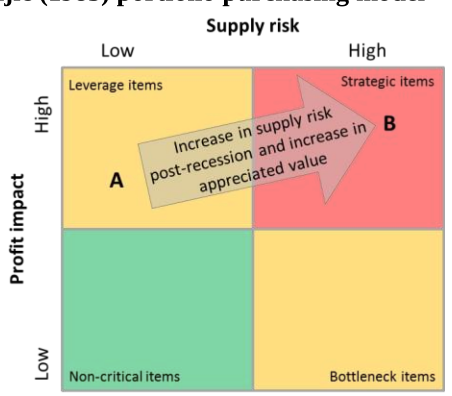


Figure 2.41: Shift in nature of supply chain depicted on Kraljic (1983) portfolio purchasing model



A: Employees as leverage item- Increasing appreciation of value but low supply risk during recession.
B: Employees as strategic item- Supply risk high due to potential increase in employee turnover and loss of talent. Profit impact high as employees add significant value to organisation's output.

Table 3.11: Competitive advantages possible as a result of the macro-environmental change

Source of competitive advantage	**Reasoning**
Perceived advantage	Customers partly position high-skilled services based on the perceived quality of the staff. Careful positioning as an Employer of Choice is core to this (Buckingham, 2008).
Superior contacts	Experienced professionals have developed relationships with customers and service providers. Retaining and attracting employees such as this during a time of talent migration will broaden the corporation's contact network.
Superior knowledge	Talented employees will have superior knowledge, service capabilities and expertise. Attract and Retain.
Superior product	Employees with superior knowledge, expertise, contacts and capabilities will ensure a superior product for the end customer. Effectively engaging employees to leverage off of these qualities is critical.
Lower cost operations	A secondary competitive advantage obtained from retaining talent in that the cost of replacing a senior professional is estimated at 100-175% of their yearly salary (Phelps & Terry, 2010).

Figure 3.21: Obtaining sustainable competitive advantages: Building the brand and creating a superior product by fuller aligning marketing with HR