

**The War for Talent in the Philippines
Strategic Approaches for Attracting and Developing Key Talents**

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ABSTRACT

This study examines the concept of talent war and the strategic approaches for attracting, developing and retaining key talents using examples of four companies in the Philippines. The study also examines fifteen company attributes of a compelling employee value position for high potential candidates in the job market. Data were obtained from 60 individuals who completed a pilot survey. This study is a pioneering research and work in progress hence results are based on a small sample of companies and survey respondents. Initial results suggest that companies are starting to take non-traditional approaches in recruiting to keep the talent bench full of talented employees. Survey results indicate that compelling employee value propositions are shifting from salary and promotion to attributes like reputation of the company and work -life balance. Results are discussed in terms of implication for employers and future research.

Introduction

There has never been a more challenging time for business leaders and HR professionals in recruiting and keeping the right people than it is today. In the next 20 years, high potential talents will be the most critical corporate resource: smart, technologically savvy, globally astute and operationally agile. Consequently, talent attraction, engagement and retention would become the major issues as organizations compete for critical skills and high performing employees.

The war for talent appears to be the “perfect storm” that could disrupt global business growth strategies. The available talent pool is being ravaged by a scarcity previously unpredicted. “There are no casualties but the victor gets the valuable talent badly needed to remain profitable and keep competition at bay. In this war for talent, only companies with the best competitive solutions can expect to win” ((Dumlao, 2008).

The war for talent is fierce and unrelenting. Because of this, companies are losing good people from IT to marketing, finance, human resources and even customer service groups. According to the ADB report, some imbalances are particularly evident among professional groups including accountant, pilot, business managers, engineers lawyers, doctors, scientist and software specialists (“ADB:Skills shortage in Asia could hamper economic growth,” 2008)

Fighting this battle has become a nightmare that is keeping many Chief Executive Officers (CEO) awake at night (Del Rosario, 2008). On the average attrition rates have gone up from 8% to 13% in the last two years and it is expected to increase. CEOs of different companies complain in varying degrees about how difficult it is to keep and find the people they need to run their organisations. CEOs fear the situation will stay that way for a longer time given the current trend. It appears that the current conditions in the job market have made companies expertly sell their employee value propositions with the same dexterity and agility as they sell their products.

In this time of high unemployment, why are people leaving and where are they going? They go to either one of two places: First some of them transfer to local subsidiaries or affiliates of global organizations – like business process outsourcing or call centers. Second, they go overseas. For example one will find former engineers of Philippine companies like GLOBE Telecom and SMART Communications running cellular networks all over the world or accountants from Philippine firms auditing and analyzing financial transactions of companies in Dubai. Either way, the competition is genuinely global in context. Companies are competing for talent within the country and also among the largest organizations in the world. Napoleon Nazareno, CEO of SMART Corporation, succinctly described the trend when he stated “competition is right at our doorstep” (Nazareno, 2008).

Significance of this Study

The alarming rate of talent shortage experienced by many companies in the Philippines prompted the Management Association of the Philippines in partnership with Six Sigma Consulting to hold a 2-day workshop where CEOs shared their common concerns and best practices in employee value propositions. I was fortunate to attend this workshop which gave me the opportunity to gather the perspectives of top leaders on one of the vital issues facing their companies. All the presentations gave useful insights in attracting and developing talents. However, from a talent supply and demand point of view, there was an absence of perspective coming from the supply side which is highly relevant in developing HR policies regarding recruitment, talent development and retention.

There is no available research in the Philippines which has look explicitly how these initiatives might be differentially associated with preferences of high potential talents in the job market. The studies I have found were focused in the US (Jurgensen, 2003; Eisner, 2005; Broadbridge et al., 2007) Therefore this research would provide the baseline data to understand whether the strategies implemented by the companies are congruent with the motives and preferences of today’s job seekers. The purpose of this study is to provide employers with tools to be able to attract the best candidates and win in a tight labor market condition. Moreover, this study would assist executive search and recruiting agencies to implement key initiatives to facilitate the recruitment process between the employers and the candidates.

In view of the foregoing background, this research aims to find out the different employee value propositions of selected organizations in the Philippines and to assess the preferences and motives of high potential talents in the job market. Ultimately this research outlines what job seekers look for in their next employers and what companies can do to differentiate their employment offering and attract and retain their best talent in the market.

Definitions and Causes of Talent War

What is Talent?

“Talent is the sum of a person’s abilities – his or her intrinsic gifts, skills, knowledge, experience, intelligence judgment, attitude, character and drive. It includes the person’s ability to learn and grow.” (Michaels, Handfield- Jones, Alexford, 1997, xii) A talent is someone who can lead a company, division or function; develop new product; guide new product team; supervise a shift in industrial plant or manage a store with 15 or more associates. A talent therefore can be someone from the executive or managerial level (Michaels, Handfield-Jones, & Axelford, 2001). That single person who is worth two or three times than mediocre ones is referred to as a key talent. The difference lies in the ability to get the job done right ahead of schedule and to make tough judgment calls. A key talent is someone whose contribution has always been critical to the success of the firm (Tulgan, 2002).

Not all employees can be a talent. While working on people planning and performance management process for the past thirteen years, the researcher observed that here is a natural performance curve that a company tracks every year. Based on the performance curves, employees are described as top performers, core performers and, least performers. The same data reveal that fifteen to 25 percent are top performers, 60 to 80 per cent are core performers and 5 to 15 per cent are least performers. Having this differentiated treatment allows the company to invest heavily on top performers and fast track their development opportunities, to affirm and develop the core performers and to act decisively on the least performers. Talent is now a critical driver in corporate performance that a company’s ability to attract, develop and to retain top talents at all costs will be a major competitive advantage in the future.

Previously, organisations were focused on addressing intense competition so that the threat of talent was overlooked. Talent war refers to insufficient pipeline of high potential employees to fill in strategic management position in organisations. Despite all the money and the effort to develop talents and to support talent management, an outstanding number of companies still struggle to fill in key positions from their internal talent pool so they resort to hiring high profile candidates in the market (Michaels et al., 2001).

What is causing the talent war?

The convergence of several factors continues to apply increasing pressure on the availability and management of talent, creating an unprecedented challenge for companies to drive growth and performance. These factors could be divided into macro and micro workforce issues

Macro Workforce Issues

The advent of the Information age has ushered a shift from machines, factories and capital into proprietary networks such as brands, intellectual capital and talent. This structural change has caused two profound implications. First, the power has shifted from corporations to the individual. Second, the individual has the negotiating advantage for his/her career (Michaels et al., 2001). Not only will there be structural changes; there will also be changing demographics. For example, seventy million baby boomers worldwide will retire in the next 15 years and only 15 Million young workers will replace them. The golden exodus will cost some companies more than half of their senior leaders (Liakopoulos & Douglas, 2007). The replacements will come from Generation X & Y. These workers, with a prime age of 25-47 will have a totally different views and values about work from those of their predecessors (Smile & Sutoon, 2002). In addition, new workers are not bringing in the skills necessary to perform jobs being vacated by retiring workers.

Micro Workforce Issues

Aside from broad demand for talent from the next generation, companies also demand high caliber managerial talent to address the continuing challenges of globalization and intensive competition. Companies need risk takers and global entrepreneurs who can contribute to business and inspire

their people (Michaels et al., 2001). Changing workforce expectations are forcing companies are perpetually redefining their employee value proposition (EVP) to keep with recent market and company developments. Innovations in technology have redefined workplace boundaries allowing people to work in new and different ways. Moreover, the effects of digitalization dictate how and where work gets done increasing demand for workplace mobility and flexibility (Kuok, 2008).

With the convergence of these trends, corporations find themselves in a costly and complex battle as they strive to recruit and retain smart, sophisticated business people. Increasingly they are going beyond geographies and cultures to find talented people who have the ability to think globally while working locally. However, the biggest concern of companies and organisations is not where to recruit and how to train them; it is more a question of whether the companies could live up to people's dreams and aspirations. This is the simple truth that companies need to accept and embrace – would people be satisfied as that they would stay and grow with the company. For instance, would the company be able to compete with dreams and aspirations of young talented workers to migrate and work in foreign lands like the US, Europe, Japan or elsewhere?

The global financial crisis has transformed the talent war into a higher and fiercer scale. Companies are trying to keep abreast by continuously redesigning, refining and enhancing their HR strategies. Companies continue to examine their EVP along with technology and productivity. They adopt a comprehensive and integrated set of strategy, solutions and innovations to support the infrastructure that would allow them to develop and retain their talents and improve employee productivity and business results. While some companies remain conservative in their approach, others differentiate themselves through diverse solutions (Tulgan, 2002).

The potential impact of the talent war has caught the attention of many companies in the Philippines both large and small. The realization has led them to re-examine their human capital strategies. In a conference called "War for the Right People" CEOs of various companies in the Philippines shared their company's strategy to win the war for talents. A few examples are discussed in the following discussions.

Results: Strategic Approaches

SMART Communications

Developing two types of pipeline for high performers through external and internal recruitment is one approach taken by SMART Communication to ensure a stream of talents joining the organizations to take the place of those leaving. Telecommunications and IT companies with high requirements for engineering graduates set up partnerships with schools and professional organizations. The best example was discussed by SMART with its successful Smart Wireless Engineering Education Program on SWEEP. Through this program, SMART partnered with 40 colleges and universities offering Electronics Communication Engineering and provided on-the-job training for teachers and students embedding the company's own curriculum in these universities. As a result, SMART has hired 300 SWEEP partner school graduates in the past two years.

The second approach is to build the company's own training institute that will provide industry-grade IT training. SMART pioneered this approach with their Smart Center for Resource Enhancement and Advanced Telecom Education. The institute accepts fresh college graduates, the company's own employees and returning Telco OFW.

The external activities are complemented by an internal pipelining program by identifying critical posts with possible sources of replacements thus providing opportunities for broader career growth and promotion. About 70 managers were developed by SMART from within their organizations. Out of the 70 managers, 55% were original hires, 10% were hired as supervisors and 5% were hired one level below their current position (Nazareno, 2008).

Gardenia Bread Corporation

"Great employees mean success" for Gardenia Bakeries Philippines which attributes its phenomenal growth in the baking industry to its talented employees (Umali, S 2008). Gardenia has emerged as a medium-scale processing industry employing more than 100 people in the past 10 years. It pumps talent at all levels according to the corporate career ladder. Employees entered the bottom line and if they are successful, climbed to the top. Yet that old approach crumbled when the company president realized they did not have enough talented people in the ranks to pursue the challenges they were

facing. It was not that simple to fill in critical positions from within hence they started to recruit and raid competitors' talent to fill their vacancies(Umali, 2008).

Ten years ago, career was the bread on the table at Gardenia. Today, big money and all the perks make the difference. From a standard package, the company focuses on personalized package providing lots of attractive options to choose from. For this reason, the financial and non-financial price of talent had gone up. Talent became the apex of the corporate vision, image and culture. Even as a medium scale processing company, Gardenia offers a chance to satisfy the desire for flexibility and reward of its talents. Furthermore, given the cut-throat competition in the bakery and food service industry, it is of paramount importance for Gardenia to clearly understand why anyone would want to work for the company. Clarifying expectations in a crisp manner is not only practical but also a proactive hiring approach. It allows the company to explain the employee value proposition and gives the candidates a chance to articulate their preferences and values.

La Fuerta, Inc.

Diversity of talent is a primary concern in hiring candidates at La Fuerta, Inc. The company is the investor in a 1,300 hectare of banana plantation owned by the Paglas Corporation located in the heart of insurrection and poverty stricken Muslim Mindanao. The company was built through a collaborative partnership between the Saudi trading company, Israeli farming experts, the Italian brand Chiquita Brands International and members of the separatist army Moro Islamic Liberation Front (MILF).

Despite this background and after 11 years of operation, the company has become a model of how a company can successfully operate in a remote area unappealing to many investors and professionals. Ninety percent of its employees are Muslims with no previous work experience at all. The company implemented rigorous training program, ranging from technical to supervisory skills including values clarification programs. In the war for the right people, La Fuerta was able to develop a team that is very determined to perform not only for themselves but also for the company and the community.

The results of combined efforts of La Fuera management and stakeholders resulted in significant impact on the employment generation and livelihood opportunities in the Autonomous Region of Muslim Mindanao (ARMM). The company's employee value position is focused on community

orientation rather than pay and benefits. When hiring talents, they primarily focus on the available talents within the community and the Mindanao area. They hire a candidate who is not only community oriented but most especially understands the culture of Muslims in Mindanao. The ability to adjust, adapt and work with the culture is a key consideration especially if the candidate is non-Muslim. They also look for talents with a high degree of social awareness and ability to manage relationships well. Candidates must have deep convictions about servant leadership and high community orientation. Some companies in the region have already benchmarked their employee value propositions against that of La Fuerta. It is hoped that the culmination of these efforts would contribute to sustainable peace and prosperity in the ARMM (Bacani, 2008).

Integrated Microelectronics

Talent management is a burning corporate priority at Integrated Microelectronics. The company systematically tracks and analyzes attrition to understand the motivational dynamics of different employee and talent group. They also developed precise qualitative and quantitative goals articulating talent management. Qualitative goals includes improving the core skills of all people, investing in learning and development, building proactive approach to matching people with business priorities and ensuring leaders at all levels devote more high value time to people agenda. On the other hand, quantitative goals focus on percentage of critical roles filled up internally with high performers, results of annual staff survey, percentage of all staff completing training programs, number of programs offered to different segments, level of succession plan in place for top 50 percent of pivotal roles and average collective house per year devoted to talent excellence (Tan, 2008).

Based on initial data gathered, the above mentioned examples are just a few of the initiatives taken by companies in attracting and retaining their talents. These strategies represent internal policies which serve as employee value propositions. There has been no academic work in the Philippines that could provide information whether these initiatives are attractive to and match the expectations of high potential candidates in the job market.

The Survey

In an initial attempt to find out whether the current employee value propositions are attractive with today's generation of workers, a pilot survey on work preference was conducted to determine the importance given to organisational attributes when looking for a company. One hundred candidates

were asked to rank fifteen company attributes but only 60 have responded. Subjects are high potential candidates in the job market of three executive search agencies. The sample included candidates for finance, marketing, sales, manufacturing, and human resource functions. The fifteen organizational measures of preferences were derived from Trank, Reyes and Bretz, 2002, Jurgensen, 1978, Michael, Handfield-Jones and Axelrod, 2001 and are defined as follows:

1. *Broad career directions* –the extent to which individuals desire a generalized career by wanting to do different kinds of work and to be exposed to different functional areas versus specialized ones.
2. *A good mix of benefits and rewards* - the extent to which a company provides flexibility in rewards and benefits taking into consideration the preferences of employees. An employee for example may not be as keen on getting insurance as he is about scholarships and training or gym membership benefits. Someone who is married with children, on the other hand would want more medical coverage and daycare assistance compared to their single colleagues.
3. *Company reputation*- employment by a company for which you are proud to work; company compliance to corporate governance, environmental norms and reputation of key stakeholders.
4. *Company brands* – employment by a company with brands you can be proud of like working for Fortune 500 companies.
5. *Working conditions* – comfortable, clean and safe working environment; good working companions. Working conditions also include the distance involved in commuting from the employee's residence to place of work.
6. *Base pay* – the importance of individual's basic salary commensurate to the job.
7. *Variable pay* - bonus or incentives for performance reward in addition to basic salary.
8. *Boss and Manager* – a boss who is considerate and fair; support the development of their people.
9. *Work-life balance* – a good starting and quitting time; good number of hours per day or week; night or weekend work; presence of innovative work options that give more choices and control in managing the competing demands of work and family.
10. *Opportunities for Promotion* – the availability of vertical and lateral career directions within a specified period time; the importance of being promoted within the first and second years.
11. *Performance management system*- objective, timely and fair approach to evaluating employee's performance
12. *Recognition programs* – the importance of being appreciated by supervisors; the motivational value of praise, the importance of receiving praise for a job well done rather than pay
13. *Opportunities for expatriation* – opportunities to receive developmental assignment in other countries or the desire to travel and experience working outside of the company.
14. *Training opportunities* – continuous learning of new skills and the importance of working in an organization that expects continuous learning.
15. *Corporate social responsibility* – the preference for company with involved in socially or environmentally relevant projects.

Demographic Characteristics

The survey focused on six demographic characteristics namely age, educational attainment, tenure, marital status, gender and occupational characteristics. Barber and Bretz (2000) have cited demographic characteristics as associated with pay and company expectations. In addition, Jurgensen (1978) and Trank, Rynes and Bretz (2002) also found consistent trends in the importance of job factors as a function of age, experience and gender. The social roles and academic achievement may also affect preferences for work attributes ((Trank, Rynes, & Bretz, 2002). Other explanations of demographic characteristics could be drawn from social psychological literature relative to the importance of financial and non-financial rewards based on the person's life cycle.

Results

The overall results show that out of fifteen job factors there is a general trend from company reputation as the most important to opportunities for expatriation as the least important. Company reputation, broad career directions, base pay, work life balance and boss and manager were the top five priorities while promotions, working conditions, benefits, training and corporate social responsibility programs were given average priority. Company brands, variable pay, performance management system, recognition programs and opportunities for expatriation were the least important.

The importance given to company reputation indicates that job applicants seem to choose a company that is not only profitable but also complies with corporate governance and environmental norms. The reputation of the key stakeholders is also important to them. Many studies have examined compensation as particularly important in the attraction of new employees (Barber & Bretz, 2000). However in this case compensation was partially rated as less important compared to company reputation. Another important component is work life balance and career.

Consistent with the overall results, male respondents take company reputation seriously. However, compared to the top five items, men placed a slightly different importance on some job factors. Men tend to attach more importance to work life balance and broad career directions and than base pay and promotion. They also attached lesser importance to benefits and rewards and working conditions. The other factors received insignificant ranking from the male respondents.

The order of importance of the job factors is quite different for men and women although the same factors appeared in the top five priority list. Women ranked company reputation as the most important followed by base pay, broad career directions, boss and manager and work life balance. Opportunities for promotions and working conditions were considered less important and the rest of the factors were not ranked at all.

Effects of marital status on job preference were also analyzed. Results showed that marriage could slightly change the importance of job factors. Married respondents attached higher importance to base pay and work-life balance while single respondents placed more emphasis on broad career direction and base pay. Similar to the overall results company reputation was ranked first and boss-manager relationship was given the least preference.

Data was further analyzed for six occupational groups. Classification as professionals includes IT, marketing, finance, sales, HR and general management. General management includes positions handling more than one functional area for example sales and marketing or finance and HR. In general, the results showed the same hierarchy of job preferences regardless of occupational group. However, a remarkable difference in job preference showed in HR function. HR respondents gave less importance to company reputation and higher importance to base pay and career.

Implications and Future Directions

Whilst the research is still in its formative stage, the results of the pilot survey pose a number of challenges for CEOs and HR in repositioning their employee value propositions. There is a strong message that high potential talents “go with the winner”. They want a company that they can be proud of and attach to this pride is preference for a company that promotes social responsibility. Talents are attracted to companies with an inspiring mission wherein the philosophy extends beyond the business case and benefits of the organization to a genuine benefit of the community it serves. Second, an overwhelming two-thirds of the respondents are not willing to compromise on their idea of an acceptable “work-life balance” and it appears that working with a manager who balances concern for people and organizational results is attached to this perception. This may indicate a “lifestyle” value which is one of the top choices for many candidates who are at the prime of their age and career.

There are some incongruent factors as shown in some of the employee value propositions and priorities of candidates. While some companies have started to learn and navigate rugged terrain of the war for talents the winning companies need to continuously know what the job seekers are saying and implement innovative and non-traditional ways to get the best people.

There are some limitations to the generalization of results considering the small number of companies and survey respondents. The examples of employee value proposition were derived from only four companies with different industry backgrounds. However, initial results show the potential for expanding this research to other companies and increasing its survey participants. Additional examples would provide a broader perspective across different industries. The results of pilot survey which examined how job preferences might be different or the same with employee value propositions appear relevant for employers and could be further expanded over a period of time.

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