

A 60-year-old Lesson in “Modern” Recruiting

In 1950, a professor showed that tweaking one thing can affect everything else. For recruiting and workforce planning, this is still true.

By Michael Kannisto and Vicky Wang Kamahele

The year is 1950, and the scene is a basement classroom at the London School of Economics. A graduate-level class of future economists has gathered, as they always do on Thursdays, for their course on macroeconomics. In the midst of a booming post-war economy, it's more important than ever for these future business leaders and policy-makers to understand the subtle influences and interactions between taxation, savings, interest rates, and imports/exports. Much like today, the students in that classroom have spent hours memorizing the hundreds of equations that have been developed to demonstrate what happens to one financial variable when another is changed.

After a moment, the professor appears at the front of the lecture hall. Rather than striding in briskly as he always does, he stops to hold the door open off the side of the chamber. Seconds later, an assistant appears in the doorway pushing a large rectangular object on rollers. It is covered in a white sheet, so no one can see what it is. The object is carefully wheeled to the front of the room, and the assistant reaches under the sheet, locates a power cord, and plugs it into the wall outlet. A noisy humming sound fills the room, and the professor pulls off the sheet, revealing the object to the crowded hall.

A Brief History of Talent

Modern consulting notwithstanding, the “War for Talent” can more accurately be described as a series of hard-fought battles for people. As far back as there is history, there have been recruiting and people-management crises. In ancient Egypt, pharaohs were faced with the challenge of iden-

tifying, recruiting, and training thousands of workers (and support staff) to construct complex pyramids and monuments. During World War II, American factories faced a labor crisis as an entire male workforce packed into troop ships and headed off to fight overseas. And after that war ended (where our story started), great factories in the Mid-

west were faced with the unprecedented task of finding thousands of skilled laborers to produce the automobiles, appliances, and other durable goods that returning veterans wanted to buy. The 90's dot-com boom further demonstrated that labor crises can still catch modern organizations by surprise, and leave them struggling to find people with skills no one has.

In each case, and many more, there was a previously unidentified need for talent. And in each case, that need was met: slaves were conscripted to build the pyramids,

women kept industrialization moving forward, southerners (newly available as a result of sharecropping coming to an end) moved to Detroit, Chicago, and Pittsburgh to begin punching timeclocks for the first time in their lives, and globalization helped tech companies find their engineers domestically and abroad.

These changes also had secondary effects that further altered society. Family dynamics drastically changed when women entered the workforce. New companies emerged, inventing products to ease the lives of dual-income families. One-stop-shopping became the norm. With two parents working, an automatic need to adjust the workplace was apparent. Yet it took nearly 40 years for “workplace flexibility” to become the forefront topic—most often discussed for women, not men—and it's still a work-in-progress for most American companies.

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Today, as we face a global economic crisis and jobs appear scarce, there is still a war raging within companies as they try to get back on their feet. After laying off thousands of workers, companies now realize they can't grow without a skilled workforce. Some companies now struggle with re-recruiting everyone back, while others try and make do with their existing employees. As the economy begins to pick up and the very notion of "work" evolves from something done at a specific place, during set hours, to a collaborative experience, performed in real time, with global cohorts, we feel another large-scale change in the air. If only there was a way to predict the next talent crisis, and take steps now to ensure organizations are not left fighting for a limited supply of needed employees.

The Moniac

As the sheet was pulled back in that classroom in 1950 London, the professor looked at the stunned faces in the sea of shirts and ties. He smiled, and shouted over the noise as he explained what the class was looking at. What they saw at the front of that classroom was an incredible collection of clear pipes and tubes and gates and runnels mounted on a vertical panel covered with graphs and charts. The loud humming sound came from a pump at the bottom of the device, which directed red-colored water into a chamber at the top of the remarkable mechanism. Upon spilling into a small tank, the water then ran down various paths along the front of the machine, diverting and flowing variously throughout the complicated network of transparent chambers and sluices.

The device was called the Moniac and it had been developed by an engineer named W. A. Phillips. This Money-based Eniac (giant computing brain) was designed to simulate the flow of money through a national economy. Water represented currency, and as that water flowed through the device, the operator could make adjustments to various valves and gates, simulating changes to interest rates, savings, and even government spending. Quite simply, the device was a visual display of graduate-level macroeconomics.

For example, a standard relationship in economics is the Liquidity Preference Function. It is a mathematical model used since the 1930s to explain the non-linear relation-

ship between interest rates and bank liquidity. If that sounds complicated, it is: the explanation in a standard economics textbook goes on for several pages. Yet, as this group of students watched, their professor pointed at a clear plastic tank nearly filled with water. "This gate represents the interest rate. Watch what happens when I lower the height of this bit of plastic—as I lower the interest rate." As he slid the scale down, water poured from the chamber, joining the larger flow, and creating an excess of liquidity that then was re-directed into foreign investments and other sections of the machine. It must have been an incredible moment for those students.

Though only a handful of these devices were ever built, and only a few are still in existence (carefully preserved in museums), they were incredibly accurate. They could be used to reproduce economic events that had already occurred with remarkable accuracy; they could also be used to make predictions. Even more significant was the fact that all the complex interrelationships were easy to understand as a result of the straightforward visuals.

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Talent Today

In much the same way that many variables combine to influence the supply and allocation of money in a national economy, variables also combine to influence the supply and allocation and management of talent: from recruiting to benefits, scheduling to performance management, and diversity to immigration capabilities. At any given point in time, organizations spend large amounts of time and money to place special focus on one element of their talent strategy—campus hiring," "industry hiring," or "diversity hiring" for example—only to find that, in addition to influencing the one variable, other changes then occur to their talent portfolio.

Some staffing leaders (from another company) who we interviewed for this article recalled clearly a CEO in the mid-1990s declaring at a "town hall" style meeting that in the future, all senior leaders would come from that company's college rotational program. The primary effect was that the program then received time and attention and money. Yet soon thereafter, there was a rise in voluntary turnover as loyal, long-term employees who had not come from the ro-

tational program concluded that the only way they would ever be able to rise to a senior position would be to do so at another company. Much in the same way that water had spilled out of the Moniac's "liquidity" tank back in that classroom, talent had spilled out of that company's talent pool, and into other organizations.

A Metaphor for Talent?

It would appear that there are many similarities one could draw between a complex international economy and a complex organization's talent portfolio. The Moniac was designed to illustrate the flow of dollars through an economy. It had many variables, and could model the diversion of money into foreign holdings, the supply or demand for money in the form of taxes and tariffs, and the reservoir of money available at any given time.

Picture now a machine that simulates the flow of people in, out, and throughout an organization. A Talent Moniac . . . a Taniac. Settings could represent anything from the current supply of college hires, the unemployment rate, the availability of specialized skills, or any number of other variables. Make one small adjustment to any seemingly independent variable and watch as talent flows violently and turbulently into unexpected parts of the company.

Forecasting, 1950s-Style

Using our new metaphor, let's see how something well known like workforce planning might be re-imagined. Traditionally, workforce planning consisted of the head of recruiting visiting the head of, say, R&D, and asking "How many scientists are you planning to hire next year?" The answer might be, "I don't know—how many did I hire last year?" If the answer was 50, then the "forecast" is typically 50 or slightly more, depending how the business is doing. Or your VP of HR might ask for a salary benchmark: "Is our compensation in line with other organizations?" The answer might be "yes, we are paying within our competitor's range." But did you compare apples to apples? Did you compare your turnover, benefits, progression opportunities, etc. within your "benchmark" group of companies?

Recently, several organizations have begun using a more

strategic approach to workforce planning. They call it "analytics." Namely, they go back and look at historical data. If two years ago the R&D function hired 30 people, then 40 last year, then 50 this year, there is a strong likelihood that 60 is a good estimate for next year. The good news is that companies that have taken this "predictive" approach, report that their targets are much closer to actual hiring data when reviewed at the end of the year. But what if the business plans to offshore R&D? Or plans to acquire another company with a large pool of existing R&D talent? What if the R&D population is mostly near retirement age, or there are no "ready-nows" for key leadership roles?

Companies have an extraordinary amount of information that already exists about their employee population. There is turnover data, performance data, and detailed information about cross-business moves. There is probably a training database, diversity information, and robust industry data describing how long it typically takes to "grow" a particular position. Instead of purely mapping a hiring number to prior year plans and hiring 60% of your workforce on contract to hedge your bets, a brief conversation with the R&D head can reveal powerful information about what direction the function will be taking,

what types of scientists will be needed to take on future projects, and what skills will likely be in short supply. This can be compared with external demographic data that is readily available, allowing your organization to predict how high the demand will be for particular employees.

Even simply determining what roles are strategically important to a function, and what roles simply "evolved" because someone happened to be around who was willing to take on additional responsibilities, is instructive. Do you have a true need for a position, or did you create a position out of chaos or for the purpose of satisfying an individual? Are you moving people with purpose, or are you moving people to temporarily pacify them or a particularly vocal leader? These data points, taken together, have more predictive power about what talent you have, who you can grow, what you need to buy, and what gaps need closing than any excel spreadsheet ever created.

Furthermore, considering the information as all inter-con-

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nected pieces will allow staffing leaders to view their talent for the first time in the same way that a room full of graduate students viewed the economy for the first time—as a single, kinetic, changing, shifting cascade of talent flowing through a system.

Approaching recruiting and staffing with such a view of talent would doubtless lead to much more strategic decision-making. Rather than simply increase college hiring because there are more internship slots, a strategic staffing leader could identify mid- and senior-level positions that will be vacant 5 or even 10 years in the future (based on, say, employee age or turnover). Knowing what skills and roles will be important (from interviews with senior leaders) will allow correct targeting of new graduates with the base skills and motivation to occupy those key roles in the future. In other words, using data already in existence, tomorrow’s staffing leader can use college recruiting to fill openings that don’t currently exist, with skills that will be important at a later time, to meet strategic objectives that have not yet been communicated.

Conclusion

The era of the Moniac was brief. It was expensive, complicated, and the global market for the device was rather limited. It is likely that comparatively cheap, new mainframe computers made the little plastic valves, and the paper-and-pen graphs, seem quaint and old-fashioned. After all, why spend an hour adjusting dozens of settings to produce a simulation that could be produced on a computer via algorithms in milliseconds?

That might be true, but perhaps the value of the Moniac was not in its use as an analytical tool, but rather as a teaching aid. Visually experiencing all the things that happen when you “raise taxes” must have been an extraordinary experience for those students. And while the few remaining Moniacs are preserved and packed away, their most powerful lessons can be tapped even today by any staffing leader.

A brief conversation with the R&D head can reveal powerful information about what direction the function will be taking, what types of scientists will be needed to take on future projects, and what skills will likely be in short supply.



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