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Ready, Set, Hire?

By **Polly S. Traylor**, November 09, 2010

Companies need more workers again.

But with budgets still tight and economic uncertainties on everyone's mind, it's tough to plan the best way to fill those workforce needs. Managers at companies that need more bodies have to decide whether to hire full-time employees, use temporary or contract workers or outsource key activities to third parties.

Smart companies are including their CFOs in this decision-making process to help drive economically-sound strategies for hiring, compensation and benefits.

Companies are increasingly asking finance executives to get out of the accounting department and involved in operations, including hiring, according to **Billie Blair**, an organizational psychologist and **CEO of Change Strategists, Inc.**, a Los Angeles consultancy.

Though unemployment rates are stuck just under 10 percent, private-sector employment has grown modestly since July, according to the U.S. Labor Department. A June 2010 KPMG survey reported in the *Wall Street Journal* showed a slight increase in companies' hiring plans since February 2010.

Seth Harris, a Boston-based vice president at Cook Associates, the executive search and mergers and acquisitions advisor, says companies with specific labor needs can and are filling them with "laser efficiency."

The Temp Question

CFOs can collaborate with their HR counterparts on complex decisions, including whether to use temporary and part-time workers to fill labor gaps.

Such stop-gap measures are popular right now. Since September 2009, the temporary services industry has added 392,000 jobs, according to the Bureau of Labor Statistics.

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Suzanne Fairlie, founder and president of ProSearch a Philadelphia-based executive search firm, sees more clients using part-time and contract staff for short-term projects, especially where people won't be needed once the work is finished. Previously, companies hired such help for mid-management or lower positions, but today they're hiring contract executives, too, she says. That's likely due to a lack of succession planning in industries where market volatility and mergers and acquisitions make long-term planning an afterthought. If an executive leaves or is fired, there's not often anyone available to take over.

Other companies are using temp workers to fill short-term needs or to "try before buying," says **Blair**, whose consulting firm works with Fortune 1000 companies. Depending on the industry, companies could keep temporary workforces for a while. "In five years, our clients say they will be doing a lot more hiring," she says.

But by focusing on temporary workers, companies could miss out on opportunities to hire prime talent. Managers who can scrutinize which full-time jobs are worth filling and how to find the right people for those positions can help their companies get ahead, Harris says. "Companies want the best of the best, and they are getting much smarter about assessing the cultural and experiential competencies of people."

Spending time assessing candidates for a long-term fit can reduce turnover and recruiting costs. According to Fairlie, every senior-level hire costs a company 1.5 times the person's first-year salary in interview time, on-boarding and productivity that's lost as they get up to speed in their position.

Factoring in Benefits Costs

Workforce planning has to account for employee benefits. High health-care costs affect a company's ability to expand payrolls or offer competitive benefits to existing staff. Businesses of all sizes are struggling to absorb rising health-insurance costs and premiums are going up as much as 25 percent for corporate plans, according to Ariel Serber, a Long Island, New York, benefits consultant for MetLife.

Rather than cut benefits, Serber recommends that clients get creative. Counteract rising fees by reducing or cutting options that employees don't use, such as out-of-network benefits, and instituting wellness programs, which can keep people healthier and reduce claims.

Many companies still will have to raise employees' out-of-pocket costs, he says. Some are also cutting popular yet pricey benefits, such as 401(k) matches. To compensate, employers can offer group life insurance plans or discounted rates on life or disability insurance that employees can purchase on their own, Serber says.

Working with HR

While CFO-HR partnerships still aren't common, they can pay off.

A large high-tech company that Harris worked with wanted to increase sales of a particular software program by 10 percent while minimizing additional labor costs. To determine the best way to do that, the company's CFO built a financial model based on the skills and capacity in the company's existing workforce. The CFO then made projections about personnel needs based on revenue targets and goals for the coming year. The analysis took into consideration workforce attrition, how much more the company's existing sales reps were capable of working and the time and money required for hiring and training new salespeople.

Because a CFO can take that kind of high-level view of a business, he or she can provide insights into critical upcoming roles to fill, identify high-potential employees to groom for promotions or analyze the impact of a pending acquisition, according to the experts. To that end, Fairlie suggests that companies develop a scorecard that combines HR and financial metrics, including the amount of time jobs stay open, turnover levels and how promotable candidates are, among other indicators.

In return, HR directors can help CFOs understand the time it would take to launch a new product or business unit based on their knowledge of what manpower for meeting those goals already exists inside the organization and the time it would take to fill any gaps, Harris says.

The more comprehensive executives can be when doing workforce planning, the more likely they will be to save money and hire the right kinds of people, whether temporary or full time. Involving a CFO in the process can help companies make financially sound decisions that line up with business strategies. The trend of more careful, strategic hiring is here to stay. "This is a far better and healthier business approach than we have seen in a long time," **Blair** says.