

Staff – How Do Other Industries Do It?

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Introduction

There is possibly no bigger potential crisis facing the NZ dairy industry than the recruitment and retention of competent and skilled staff. So what can we learn from outSIDE our industry?

During 2003 I travelled to the Northern Hemisphere on a Nuffield Farming Scholarship. My major study topic was labour management, particularly looking for staffing solutions for primary industries.

My study goal was to investigate how leading agribusiness and other companies manage people. How do they attract, motivate and retain competent people to add real value to the business? Most importantly what do exceptional people managers do differently?

The bigger picture

International trends in employment

There are some startling trends emerging in employment practices in the developed world. OECD research indicates that in the next 25 years, 70 million people in member states will retire. Just 5 million people will replace them. This shift in demographics will impact in several ways. Wage rates will be expected to increase in order to assist in supporting these retirees and the 65 million vacant jobs will need to be filled either by immigrants or displaced by new technology.

Reader's Notes:

Table 1 The changing way we work

- Only 40% of income earners had real wage growth through the 90's
- Just over half of the workforce is employed on a permanent basis
- The net increase in jobs in the 1990s was mostly in casual and part time positions
- Approximately half of all employees work overtime and 60% are not paid for it
- The standard work model no longer exists. "Only 7% of employees work the standard 9.00 to 5.00"
- Most people who work over 45 hours per week would prefer to work fewer hours
- Stress related worker compensation has risen from 5% to 19% in the last ten years
- 55% of large companies engage specialist labour hire companies
- Half of casual workers (mostly female) have been in the same job for over one year

Source: The future of work in Australia report 2003

The end result is most likely to be a fiercely competitive global labour market not limited by country borders. More open immigration policies are likely to emerge, particularly for higher skilled employees. A highly skilled transient labour market is likely to result and be intolerant of poor employment practices. Low value, labour intensive food products will be produced principally in countries with the lowest wage rates.

A frequent comment during my travels was, "local people just don't want to work". Perhaps, but more likely they actually have alternatives and the basic needs of survival, i.e. food and shelter, are very easily met in a modern world.

The race for talent will necessitate some changes in agriculture and our approach to work; we will only attract the people that we deserve. If we want a good reputation, then we have to do a good job!

Key points in relation to our industry

- People leaving agriculture is nothing new
- World agriculture is dominated by low skilled work
- We have a perception of poor employment practices
- All businesses are facing an ageing labour force and an ever decreasing talent pool
- We will have more competition for skilled and competent staff
- There are new trends emerging in the way we work

- Product specifications will become more stringent
- Farm businesses of the future will be bigger and more complex.

Who – generations XYZ

Human resource (HR) professionals are now focusing more on the character traits associated with different age groups, often described as generations xyz. This is important since the gaps between generations in relation to roles and expectations are widening. Similarly the relationships between them need to be understood.

Veterans: born 1920 – 1940

This generation has experienced war and significant hardships. They are past-orientated, disciplined, law abiding and consistent. Their wisdom and experience in the work force is valuable. They can have a very close relationship with generation Y due to their wisdom and knowledge.

Baby boomers: born 1940 – 1960

The largest generation in history, born just after the Second World War. They have been exposed to prosperity and tend to be optimistic. They pursue promotion by demonstrating loyalty, long hours and ruthlessness. They tend to focus on the process rather than the outcome.

Generation X: born 1960 – 1980

Often the products of workaholic parents, they tend to be self-reliant and individualistic, yet value family and relationships in the workplace. They can be casual toward authority, lack trust and sceptical about the future. They accept diversity and are willing to live on the edge. They are highly outcome focused and expect specific constructive feedback on performance.

Generation Y: born 1980 – 2000

They have grown up with a global outlook through access to television and the Internet. They have been at school longer, travelled further, had access to more information than any other generation and they think differently. Rather than process or outcomes, these people focus on what they can get along the way. They are thirsty for skills and intellectual challenge. These people are also keen to use work as an experience and are constantly looking for new

Reader's Notes:

experiences. They are sensation seekers and are prepared to live on the edge as personal responsibility is of low value. Consequently this generation needs a suite of compensation packages to attract them to a job and due to their transient nature will be hard to retain. They may register with numerous recruitment firms via the Internet even though they are happy in their current position.

Generation Z: born 2000+

Too early to define.

An understanding of the above and their relationships is important in structuring the modern farm business. For example, generation Ys will not be as accepting of structured hours as baby boomers. Similarly they will have different expectations of the rewards from work.

So who is doing a good job?

ASDA supermarkets

One of the UK's biggest supermarket chains and a subsidiary of the world's biggest retailer, Wal-Mart, was voted the best place in the UK to work in 2003. They had followed the Wal-Mart model prior to being acquired by the American superstore, which is centred on a culture of openness, where employees are referred to as colleagues.

The organisation also realises the value of experience and actively recruits grey (older) workers, especially to positions involving customer service and assistance. Sixteen percent of their people are aged over 50, and 200 are aged over 70.

The cost of turnover and retaining intellectual property

The cost of recruitment, engagement and training of new staff can range from one, to as high as two and a half times the annual salary of the new recruit, taking into account the recruitment process and reduced productivity until the new staff are established.

In the NZ dairy industry it is widely accepted that in order to get ahead you must keep moving from employer to employer in order to advance. In the first year, recruits are carried in terms of development and cost recovery, in the second year they become worthwhile as productive employees, and in the third year they contribute real benefits to the business. However, once someone has been trained and understands the individual farm system they are already either emotionally or physically preparing to leave. Therefore this appears to be a high hidden cost to the industry.

It is also necessary to look at the bigger picture and understand the other reasons why people leave a job.

Table 2 What drives people to leave a job?

REASON	RANKING
Unhappy with management	1
No recognition	2
Limited opportunity for advancement	3
Inadequate salary and benefits	4
Bored with the job	5
Other reasons	6

Source: NZ small business Association 2000

People don't leave jobs, they leave people

The fast food business is perceived to be suited to low skilled people. It has irregular hours, low pay, repetitious and unpleasant working conditions. These companies counter these challenges by maintaining simple systems and procedures that are easy to train. It is interesting to note that an *annual staff turnover of 400%* is the industry norm.

One fast food company did however prove an exception to the rule and had an annual staff turnover of less than 100%. Looking for such exceptions to the rule is likely to highlight different practices we can emulate. Pret A Manger is a very rapidly expanding, fast moving consumer food business (FMCG). From one store in London fifteen years ago, they now have over 130 stores internationally. They operate in a fiercely competitive market but with very high quality, safe, animal and environmentally friendly food, prepared fresh all day long and on site by the very people who sell the product at their counter. The company now leads the world in fast food retailing leaving McDonalds, the previous industry leader, holding a minority shareholding.

So how do they do it? They operate in teams of highly energetic young people who all want similar things and want to enjoy work. "Let's have fun and get the job done" is an unofficial slogan. Their recruitment slogan states, "We don't work nights, we wear jeans and we

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party”. Regular staff parties are held and every one is invited. Above all the company is passionate not only about what they do and their food, but also about their people. As a result they have been ranked by Fortune magazine as one of the top 10 places to work in Europe.

Pret A Manger is an employer who understands the type of people they need to employ and has created an environment that delivers.

Whilst the above has focused on staff retention note that the wrong people can be as counter productive as no, or transient, people. It is just as important to shed the wrong people as retain the right people. If they are not meeting performance standards, then we need to reinforce the high performance culture and assist them to reach suitable levels. If people don't fit then they should probably be assisted out. As a gentleman in the USA stated, “Well you cull your poorest performing stock don't you? Staff should be no different”. Obviously the correct protocols and employment law have to be followed.

Nucor Steel builds its entire system on the idea that you can teach farmers how to make steel, but you can't teach a farmer work ethic to people who don't have it in the first place. Their whole system did not aim to turn lazy people into hard workers, but to create an environment where hard working people can thrive. They place greater weight on character than on skills, employment history or experience.

The seven-day weekend is a concept devised by Ricardo Semler, CEO of Semco, one of Brazil's fastest growing companies. Workers have a high degree of freedom as to the hours they work to suit their lifestyle. They are also given a lot of authority as to who is employed and are given an open book of the company's finances. The ability to have some flexibility in work hours can lead to large savings in absenteeism. The benefits are empowered and motivated staff.

Table 3: What makes a good place to work?

1. I feel there is a future for me in this organisation
2. I feel a sense of belonging to this organisation
3. This organisation is a fun place to work
4. The work I do makes full use of my knowledge and skills
5. The pay and benefits I receive are fair for the work I do

Source: Unlimited best places to work

Profit sharing

This can be done in a number of ways. The most common is for managers to be given a share, for example, 5% of tax paid profits. If the percentage is any higher people tend to focus on the wrong things.

One vertically integrated agribusiness gives all staff, from the general manager down to the gardener, a share of the annual post tax profits. This is based on a series of bands, so if for

example the firm makes a net profit of \$100,000, they each receive a 5 percent profit share distributed on a pro-rata basis relative to their salary. \$200,000 = 20 percent etc.

Non-cash remuneration

“There are two things that people want more than sex and money... Recognition and Praise”. – Mary Kay Ash

A genuine “thank you” can generate real benefits. This can be as simple as a handwritten note, which reinforces behaviour and shows that the employee is on track.

“It’s a real pleasure to work for someone who appreciates me” – Truck driver, GHB Agriculture

Red-letter Days is a company based in the UK, which assists in rewarding other organisations employees. Red-letter days are based on the concept of giving experiences as gifts. They currently offer over 300 experiences. These can be as adventurous as hot air ballooning and motor racing, to indulgences such as wine tasting and health spa days. These are perks, which are given to people as a result of ABCD (above and beyond the call of duty) and are usually taken up during work time.

Understand people’s interests and give personal recognition they appreciate. The reward to the employer for even relatively minor gifts can have a huge payback. Individuals who are appreciated and valued feel compelled to perform. A prominent UK food processor provided tickets and air travel to the Rugby World Cup in Australia to a fanatical rugby supporter who in his wildest dreams would never have managed the trip himself: the result, a very loyal and dedicated employee.

Make people feel good about themselves and make them think that they own the business. This can be as simple as giving employees acknowledgement and recognition for their importance in the business through job titles. A Penn State dairy uses titles such as Lead Milker, Cow Flow Director and Barn Controller to describe what could be considered quite ordinary roles, although these titles acknowledge the contribution to the success of the business.

Key points about recruitment and retention

- The right people with the right skills in the right job at the right time
- The cost of turnover is one to two and a half times a persons annual salary

Reader’s Notes:

- Understand the type of people you need then create the culture and environment to deliver
- Find out what buttons to push
- Challenge tradition, older and immigrant staff may be the answer
- School leavers may fit the budget but little else.

Secrets from some of the world's best employers

J.M. Smucker

A US family food company with 3000 employees and 100% stock return over the past five years, is named by Fortune as the best company to work for. Their corporate values are:

- Listen with full attention
- Look for good in others
- Have a sense of humour
- Say thank you for a job well done and celebrate success.

ASDA supermarkets

Voted one of the top ten best places to work in Europe in each of the last three years. One of their slogans is “ordinary people given opportunity to do extraordinary things”. Their core values are:

- Will to win
- Team work with impact
- Knowing and satisfying customers
- Clarity of thinking
- Brilliant delivery
- New ideas and approaches
- Leadership
- Passion for learning
- Planning and organising work
- Timely decision making.

Sam Walton – Wal-Mart

Rules of business:

- Commit to your business. People passionate about their work will try to do their best every day
- Share profits with associates and treat them as partners. Offer discounted stock and stocks for their retirement

- Motivate your partners. Motivate by keeping everyone guessing about what is going to happen next. Money and ownership are never enough, people want competition
- Communicate everything you can
- Appreciate everything your associates do for the business. Words of praise cost nothing and go a long way towards winning over employees
- Celebrate your success
- Most important rule “find some humour in your failures’
- Listen to everyone in your company, front line people know best what’s going on.

Bob Funk, Express Personnel and Express Ranches

- Possess farmer work ethic
- Lead through personal hard work
- Operate ‘Intrapenurially’, each department operates as a mini business
- Maximise good people skills.

Starbucks

- Progressive compensation and benefits package
- Retirement savings plan
- Stock options and discounted stock purchase plan
- Bonus plan for managers
- Discounts on company products

Summary

Common themes:

- Listen
- Celebrate success
- Remove barriers to enable people to become passionate about the business
- Give genuine and sincere thanks regularly
- Create an environment of fun and excitement.

Reader’s Notes:

As employers we need to follow principles of employment best practice. Rod Oram has summarised this as, *“full and honest communication with staff about each individual’s performance and about the company’s prospects: treating them fairly; involving them in developing the business; and investing in growing their skills”*.

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