



Article

Never Waste Stagnation

Managing through a period of stagnation is often more difficult than managing through a crisis. A talent hedging strategy can help get IT out of the malaise and moving again.

When President Obama's Chief of Staff, Rahm Emanuel spoke the words, "Never waste a crisis," he was talking about how you can achieve goals during scary times you might never attempt when people are generally satisfied with the status quo. The power of the phrase comes from its irony. How can you waste something you never wanted in the first place, i.e., a crisis? But the logic is self-evident. It is when people are threatened that they become more motivated, more creative, more willing to rally around leadership and more likely to challenge the established order — all of which makes dramatic progress possible. And an *economic* crisis can create opportunity in other ways. In business, for example, resources that would otherwise be scarce and expensive are now much more available and relatively cheap. That is if you have the money to buy them, of course.

So what about the current economic situation with respect to IT? Are we in a crisis? Are special opportunities in play now that might not otherwise exist? And, if so, what's the best way to leverage those?

As a contract staffing and consulting partner to IT, our first-hand experience suggests that this is *not* the full fledged crisis the rest of the economy is experiencing, at least not yet. Compared to many other fields, IT right now seems to be holding its own — both on the employment front and in terms of compensation. Though we see fewer big new projects being started, most already underway are not being canceled. Though hiring has been curtailed and some layoffs have occurred, hiring of permanent staff and contractors is still occurring and compensation levels have been relatively stable.

A Bigger Slice of a Smaller Pie

That's the relatively good news. The bad news is that the stagnation IT faces now may in many ways be even worse than a crisis. How can stagnation be worse? For one thing, IT's most valuable talent remains scarce even as payroll budgets shrink and layoffs rise. Witness the strong demand for H-1B temporary work visas. In



January 2009, Microsoft and Intel announced layoffs of 5,000 and 6,000 respectively. Yet, according to CNET News (1/26/09), each company plans to continue efforts to hire foreign workers with key skills. “Those aren’t the kinds of people at risk of losing their jobs,” an Intel spokesman is quoted as saying. So for companies it’s a double whammy. While the money pie is shrinking, an ever-larger slice of what remains is going to the most talented tech professionals at the expense of other priorities.

Another damaging aspect of stagnation is how it can leave companies vulnerable to lagging behind — which in technology only accelerates over time. In a crisis companies are willing to take risks and emphasize innovation. In stagnation most people would rather not. No one wants to jump in the pool first, caution and risk avoidance are the rule. The opportunities of technological leadership and increased competitiveness are lost. And bad outcomes are likely if the organization has nothing to show for the passage of time except the passage of time — few operational improvements, little product innovation, hardly any new markets, only modest career advancement, and most importantly missed opportunities. “Staying the course” may sound noble but can leave the organization vulnerable to competitors willing and able to exploit stagnation’s number-one advantage: an environment populated by slow-moving competitors frozen in place by fear of taking risks.

Adrift in a sea of malaise — without even the wind of a crisis at their backs — many IT managers wrongly assume that real progress is out of the question. In fact, the opposite is more likely the case. Even small amounts of progress in absolute terms are relatively large versus competitors who are making no progress at all or who are actually going backwards. Incremental progress is possible if you pursue a strategy of easy wins. Jumping into the pool head first or waiting for others to do so are not the only options. Colleagues may be persuaded and encouraged to “stick just their toes in” taking moderate, calculated risks, which accomplishes two things. First, it builds self-confidence that some level of progress is still possible — which inspires people to do even more — providing even more insight and self-confidence. A virtuous cycle ensues countering the downward spiral of stagnation. Second, by actively engaging in recruiting and being open to hiring you will gain insight and opportunity as to how to strengthen your team.



Talent Hedging

This toe-in-the-water strategy is called hedging — balancing risk by exercising some options while keeping others open. And that applies when looking for premium priced IT talent. Specifically, companies can use contractors or contract-to-hire candidates to “stick their toe” in the pool while at the same time taking longer term employment risk off the balance sheet. They gain insight — knowledge about what talent is “out there” and potential fit with project needs. They also gain self-confidence by exercising their capacity to find, evaluate and attract exceptional candidates and developing a network of these candidates.

What many organizations find surprising is that during this exercise they may venture to expose more than just their toe. Given the employment market’s current uncertainty it has never been more likely than now that companies will find a superstar. And it is amazing how often they will suddenly find a place for one if presented with the opportunity.

Hedging can be a very effective tool for exploiting areas of opportunity during times of high uncertainty as well as malaise. By developing an ongoing talent hedging strategy organizations can overtake slower-moving competitors who arrive late to the hiring market — especially the market for exceptional IT talent. As premium talent takes an increasingly large share of corporate IT budgets it also accounts for a disproportionate share of a company’s future value. Talent hedging enables organizations to unlock that value now. So they should.