

Managing During an Economic Downturn Using a Talent Swapping Strategy

by [Dr. John Sullivan](#)

During tough economic times it is essential that every corporate function become more strategic.

Cost containment is easy and is by no means strategic, but leveraging limited resources and restructuring activities to accomplish things you couldn't do previously can be. Unfortunately, most corporate recruiting managers and many line recruiters are more reactive and incapable of looking at staffing more holistically.

Managing strategically requires recruiters to think beyond immediate requisition loads and transactional sourcing; it requires that recruiters think more proactively, and identify strategic talent opportunities.

One opportunity that routinely presents itself during economic contractions is the opportunity to trade up the caliber of talent in the organization by swapping in top talent into roles currently occupied by average or below-average talent. For socialists and poor performers this strategy seems harsh, but for anyone who has ever played a competitive sport, it makes perfect sense.

As global markets open up, competition on every front in business is becoming more cutthroat. In an era where an organization's sustainability and innovation capability are largely tied to acquiring, developing, deploying, and motivating talent, a talent-swapping strategy could mean the difference between mediocre business performance and explosive business performance.

What Is A Talent Swapping Strategy?

The concept of talent swapping is borrowed from the professional sports industry. In sports, winning is everything, and it is a common practice for team management to externally seek out a "superior" player in a key position to replace a struggling player. When the team finds an available star, they "SWAP" or replace their struggling player. After the swap, the team still has the same number of players (no additional headcount), but has also dramatically improved its chances of winning.

When applied to the corporate world, a SWAP (Strategically Waving Average Performers) initiative proactively replaces poor performers in a key job only when an arguably/measurably better candidate has been identified and successfully recruited by the talent management function.

Factors Making Talent Swapping Possible

Talent swapping is a strategy that can be employed anytime, but it is much easier for organizations during times of economic contraction for a number of reasons, including:

- Talent Availability – When unemployment is low, chances of landing a true top performer without a fight are low, but as unemployment rises, so do your chances. During economic contractions even top-talent magnet firms face challenges. As they shutter growth initiatives, cut development budgets, restrict internal movement, etc., the ties that once held top talent firmly in place loosen, enabling firms that couldn't compete before to make a compelling offer.
- A focus on headcount – These days more and more CFOs have a background in accounting as opposed to finance, so cost-containment is in vogue. Across the board cost-containment strategies frustrate top talent, and theoretically cut recruiting functions off at the knees as requisitions dry up. A talent swapping strategy restores the need for recruiting and sends a message to top performers within the organization that despite cost containment the organization is working hard to advance working conditions and remove below-average performers that hold top performers back.
- A focus on productivity – In years past, the pressure from consumers for new products and innovations waned during economic contractions, but that is no longer the case. Product lifecycles have gotten shorter and shorter as demand for innovation has skyrocketed. As a result, organizations are under tremendous pressure to increase workforce productivity and innovation despite a contraction in their revenue streams.

The Advantages of Talent Swapping

The first obvious advantage of talent swapping is that it is a performance improvement strategy with a very clear objective, improving the organization's overall ability to perform. However, there are a multitude of other advantages, including:

- It provides recruiting leaders with a rare opportunity during low hiring times to demonstrate positive business impact.
- It provides individual managers with a means to manipulate their team structure and capability without impacting headcount during a time when most changes are frozen. (During economic contractions underperformers are often kept on much longer than they normally would be because many managers believe that even a poor worker is better than no worker at all (i.e. a vacant position).
- It sends a clear message to all employees that continuous improvement of skills and ability to perform is as much an individual's responsibility as it is the organization's, and provides real consequences for those who ignore the mandate.
- It challenges managers' reluctance to fire even the worst-performing employee by allowing them to postpone the hard decision to terminate a team member until a clearly superior replacement has been found and hired.

Swapping Must Be a Data-Based Activity

Not all managers have their organizations' best interests in mind all of the time (some might argue that the vast majority of managers never have their organization's best interests in mind, but that is another issue).

As a result, it is important that organizations employing a talent-swapping strategy rely heavily upon data when making decisions about where to apply talent swaps. Recruiting leaders need to work closely with hiring managers and the performance management function to identify key jobs that have incumbents in them, that after numerous attempts to improve their performance have proven incapable of becoming top performers. A business case must be developed with the full involvement of the manager, the performance management function, the recruiting function, an executive program sponsor (CFO/CEO/COO) and legal counsel for each swap proposed.

What About Legal Issues?

Whenever you release or terminate workers, there is some risk that they will become disgruntled and sue the organization arguing one thing or another. The key here is to make the mandate for the program known to everyone, keep the process free of bias, build a documented case for each transaction, and treat the outgoing employee with respect and dignity throughout the process.

Should your legal counsel or other in HR pose objections, it is important that senior leaders remind everyone that “it is not anyone’s job to tell the organization what it cannot do, but rather to find a way to do it!” While people are not machines, they are vendors and organizations routinely “swap” vendors and suppliers based on newly available prices, competencies, and services.

Action Steps

Talent swapping is relatively easy to understand and to implement. Some key action steps might include:

1. Begin by calculating the long-term economic consequences of keeping a below-average performer, compared to the increased performance level of an above-average performer (the difference is known as the performance differential). If you carefully calculate the dollar value of the performance differential between a top performer and the “targeted” below-average performer, you will often find that it’s two or three times greater, resulting in over \$100,000 annual difference in output. Next, multiply the costs of keeping a weak employee over the number of years that the bottom performer is likely to remain at your firm to get the total dollar value of swapping an employee.
2. Develop a formal plan and get the necessary buy-in from HR, performance management, and your recruiters. Be sure and run it by a few operating managers to identify any potential issues or concerns they might have.
3. Get the CFO’s buy in for the talent-swapping strategy.
4. If possible, get a business unit head to conduct a pilot and to “champion” the program among their colleagues.
5. Develop a process for identifying the key business units and the jobs within them where replacing below-average talent with top talent can make a significant impact upon the business. Talent swapping is not appropriate for every position.
6. Within those jobs, work with performance management and individual managers to identify the weak performers to target. Work with “legal” to see if there are any further

actions that need to be taken before the employee is deemed eligible for a SWAP. Include a diversity component to ensure that [diversity](#) levels are maintained.

7. Define the minimum skill set (skills, capabilities, and experience) that the potential new hire must have to become “eligible” for a SWAP.
8. Develop a continuous sourcing strategy for the targeted positions. Also be aware that using traditional employee referrals to identify candidates might cause problems if employees realize that by making [referrals](#), they are helping to replace an employee who might be a friend.
9. Begin building a “who’s-who” list of the names of the top talent in your industry who might be amenable to taking one of your targeted jobs.
10. Conduct “relationship recruiting” with these key individuals from the list. This might mean calling them occasionally, periodically sending them an e-mail newsletter, or inviting them to your company’s events.
11. When you become aware that one of your targeted candidates is now available, recruit them and offer them a position. If they accept your offer, you then notify the performance management function to begin the release process of the current poor performer. When appropriate, and especially in certain international locations, consider offering the released worker a financial severance package for signing a legal release.
12. Bring the new candidate on board.
13. Continue the process until you have substituted top hires for each of your targeted positions.
14. Remember that you can also swap talent “[internally](#)” by moving top performers from low-impact to high-impact jobs.
15. Another option to consider is rather than waiting to release workers who are clearly bottom performers, instead shift them to a contract or contingency basis. This “temporary” status allows you to more easily release them if there is a need for a layoff, a performance termination, or a talent SWAP. If their performance improves, you can obviously shift them back to a more permanent status.
16. Run the [metrics](#) and then calculate the overall performance improvement and the dollar impact as a result of the improved performance of your new hires, compared to the released employee.

Conclusion

I often encourage managers to look at the best practices in sports management because there are few other fields where the value of having top talent is so easily seen and appreciated. In sports, the intense competition and publicity causes managers and directors of player personnel to identify and implement some extraordinarily powerful talent-management practices that can also be applied to the business world.

The talent SWAP approach is a prime example of one of those best practices. In sports if you have a losing team and you want to become a winner fast (because there are limits on roster size), often your first step is to change the players through talent swapping.

It’s no secret that managers are reluctant (to say the least) to fire workers (even bottom performers). Talent swapping makes firing more palatable to managers because they don’t have

to act until a quality replacement is available. CFOs see the value of the program because it increases performance, without increasing headcount. Recruiting managers should support it because it provides them with an important and visible role during economic downturns, when recruiting can be seen as unimportant or unnecessary.

I urge you to consider adding it to your repertoire of recruiting strategies. Only socialist HR types are likely to be afraid of it, and you should never let them run your business. Instead of being reactive and waiting for requisitions to come across your desk, now's the time to be strategic and proactive. Think about it, what could be more obviously beneficial to a firm than replacing a group of "Turkeys with Eagles!"