

Undergraduates: a boutique's ally in the talent wars

It's the request from a funds manager's HR department that's guaranteed to get a recruiter's eyes rolling. "Can you find us a talented junior analyst with one or two years experience?"

The unspoken response from the recruiter is "join the queue", and if you happen to be a boutique funds manager, join the very back of it. After all, graduates with finance degrees have never had more options for finding a job in funds management, and the competition for those who've proven themselves after a couple of years is fierce. The anecdotal evidence is that boutiques are losing many of their graduate staff at this crucial point. However, thinking beyond the diploma can help a boutique halt its revolving door of young analysts, writes the director of Abacus Recruitment Solutions, TOBY MARSHALL.

Many small fund managers, research houses and advisory groups have great problems finding good young analysts. They have bigger problems keeping the good ones who do join them.

Understanding this problem begins with recognising how the big firms have a huge advantage in attracting the best new graduates. Furthermore, those that join a boutique and prove to be good are easily poached by the big firms with their strong brands, training programs and varied career opportunities.

How big is the problem? Well, 15 years ago it didn't exist as there were hardly any boutiques. Today there are thousands, ranging from one man bands' sharing office space up to firms of about 50 staff. They all have one pressing need – for low cost, smart labour that enables them to leverage their time and grow their profits.

What advantages do the big firms have in recruiting graduates? Most have HR departments which have created a graduate intake program. The larger firms have the biggest programs and hence the highest visibility - they have major displays out at the university Careers Fairs and large advertising budgets. It is hard for the boutiques to even be noticed in this barrage of information.

Once they have the attention of the best students, what job advantages do they have? Their training and development programs appeal strongly; plus



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they have a variety of career paths to choose from when the graduate program finishes. In a recent study undertaken by Abacus, over 80 per cent of high achieving students said they wanted to start their career in a large firm.

This competitive advantage forces boutiques to compromise on quality. They must compromise either compromise on a graduate's academic results, their people skills, or their communication/English skills. Or in the most desperate cases, a combination of all three.

The second time the boutiques get king hit by the big firms starts about a year after the analysts join. And this hit is even more painful financially.

Those analysts who have proved to be good are now targeted by the big firms for poaching. The graduates now have valuable on-the-job experience and are still relatively low-cost. The lure of the big brands is hard for them to resist – most originally applied when they were students, but were beaten by the graduates with better results.

The big fellas also have deeper pockets and so can pay more. Hard for a young graduate to ignore the dollars with big HECS bills to pay.

And finally, big companies have a greater variety of roles to offer. Now they have work experience, the graduates have had a good look around the financial services industry. They know about alternative careers and what their options are. They now often want a particular role – and the larger firms are more likely to have what they want.

What is the cost of losing a young analyst after 12 or 18 months? It's high, though perhaps not as high as consultants who make a living out of "The

Employee Retention Business' would have us believe. They throw around some really scary numbers to encourage employers to buy their services. But it is certainly at least 50 per cent of their salary – so the hit to the small firm's bottom line is well over \$20,000.

Is there a way around the problem for these thousands of boutiques?

I believe the management of these smaller firms should shift their attention to talented undergraduate students, those with about two years to go on their degrees.

At Abacus, we call those undergraduates 'Smarts', and seek to employ them at companies on a part time basis (16 to 20 hours a week), paying them around \$17 per hour.

Graduates that join a boutique and prove to be good are too easily poached by the big firms with their strong brands, training programs and varied career opportunities.

The 'Smarts' program tries to identify the top 2 per cent of students, based on a combination of academic results, work experience and emotional intelligence. The program was originally developed in conjunction with Macquarie Bank, which now has a lot of these talented young people working for it.

The program only becomes valuable for employers if the students stick in these jobs – something 19 or 20 year olds are not known for! It's important the part-time job gives them challenges and the opportunity to grow - if you've seen the research on what Generation Y want in a job, both of these factors are critical to them remaining with an employer.

In any case, a boutique should only take on a 'Smart' when it has a real job or project to offer - where the student's skills, energy and relatively low wages

mean they can add value almost immediately.

So when they graduate, what will keep the young person at the boutique firm? Three factors make it more likely:

1. They are now more valuable to the company, who are therefore prepared to pay them more. What makes a 'Smart' more valuable than a typical graduate?

- They were amongst the best students to start with – it is how they were selected for the program.

- They have learnt the specific job and office skills for this employer.

- They know the company culture, which makes them more effective.

So compared to an untried, unknown new graduate, they are simply worth more and can be wooed with money plus more responsibility and challenge

2. The company has had time to plan ahead to fit the part-timer into a permanent role. Both parties have knowledge of the other – they can select and mould a job that suits.

3. Despite employers' skepticism about Generation Y, they are like older people in one key area. Most don't want to change for change's sake. They are usually grateful for the opportunity to have had a real job while studying. Finally, they have formed relationships in the company, probably the strongest glue of all.

All this being said, some of the part-timers will still leave when they graduate as they will want a different role. However this is less of a problem for the employer than when a full-time graduate leaves. The part time student has been happily doing lower-level work at significantly lower cost than a graduate.

Even if they don't go on to a lengthy analyst career at the boutique, they were still profitable for the small firm in the time they were employed. ■