



Talent Alert: *The Perfect Storm is on the Horizon*

From the authors of WSJ best sellers *Love It, Don't Leave It: 26 Ways to Get What You Want at Work* and *Love 'Em or Lose 'Em: Getting Good People to Stay*, Beverly Kaye and Sharon Jordan-Evans

When demand exceeds supply, you're in a talent war. When you compete for top talent, steal them from your competitors and pray they'll stay with you, you're in a talent war. We saw it in 1999 and we're about to see it again – with a vengeance. The upcoming talent war has been called *the perfect storm* and it promises to wreak havoc on most organizations worldwide.

Hallelujah! The War for Talent II is just around the corner. It's time for corporate leadership to question whether they are using 'smart' weapons, tools, and strategies necessary to fight a 21st century war for talent.

Dr. John Sullivan,
San Francisco State Univ.

The more highly engaged employees are, the more likely they are to put customers at the heart of what they do and how they think about their jobs, and the less likely they are to leave their company.

-- Towers Perrin

Employee retention, engagement and workplace satisfaction experts Beverly Kaye and Sharon Jordan-Evans, co-authors of the Wall Street Journal's bestsellers *Love It, Don't Leave It: 26 Ways to Get What You Want at Work* and *Love 'Em or Lose 'Em: Getting Good People to Stay* (Berrett-Koehler) warn companies to prepare for the brewing talent storm. They provide insight into the cause of the storm – the confluence of three major factors. They also suggest that talent retention, engagement and workplace satisfaction **is a two way street**. Managers and employees each have responsibilities in surviving the storm and creating stronger workplaces in the process.

So just what makes this talent storm so intense? What three major factors are colliding to create the storm?

I. Healthier economy and brighter job market spells more options for good workers.

- ✓ Alan Greenspan, Federal Reserve Chairman, reports the economy is picking up steam.
- ✓ "The war for talent will intensify," said Korn/Ferry's COO. "You can't have this kind of economic growth quarter after quarter and not have jobs being created."
- ✓ A CareerBuilder.com survey found 49% of hiring managers plan to increase staff in 2004; a Manpower survey revealed that 28% of U.S. employers plan to increase hiring activity.

II. Unhappy employees, complete with updated resumes and packed bags.

- ✓ Eight out of 10 workers are ready to jump ship, and search for greener pastures.
- ✓ Two out of every three bosses are unhappy in their jobs and want to leave when the job market picks up.
- ✓ 20,000 new resumes are being posted daily on Monster.com where more than 25 million resumes are available for employers from their database.
- ✓ 1.6 million job seekers are hitting Monster.com daily where more than 800,000 job postings appear.



www.KeepEm.com
www.LoveItDontLeavelt.com

86% of the tens of thousands surveyed are not satisfied with their job and another 92% are planning to look for a job in 2004.
-- Monster.com Survey, 8.04

We are about to face a demographically driven shortfall in labor that will make the late 1990s seem like a minor irritation.
-- Anthony Carnevale, Former Chairman, Nat'l Commission for Employment Policy

The worst employment crisis ever is on the horizon as baby boomers leave the workforce faster than new employees can take their place.
-- CEO, Monster.com

1.1 million more people are working for themselves since February, 2003.
-- CNN Money

- ✓ Gallup's Management Journal's Employee Engagement Index reports the breakdown of employees who are:
 - Truly engaged at 29% -- those that work with passion and feel a profound connection to their company. They drive innovation and move the organization forward.
 - Not engaged at 54% -- those that essentially have "checked out". They're sleepwalking through their workday, putting time – not energy or passion – into their work.
 - Actively disengaged at 17% -- those that are not just unhappy at work, but also busy acting out their unhappiness while at work. Everyday these workers undermine the accomplishments of their engaged coworkers. They represent about 22.5 million U.S. workers and cost employers an average of \$13,000 each in yearly productivity losses.
- ✓ A Yahoo survey reports that more than one-half of those surveyed are or plan to be looking for new work in the next 12 months. More than one-third of survey respondents said they would "absolutely not" or "possibly not" recommend their employer to others.
- ✓ The Conference Board's survey of 539 global CEO's found that "Employee loyalty/commitment/job satisfaction was cited as an issue of greatest concern by 22% of CEOs in the U.S and 32% of CEOs in Asia.
- ✓ Younger workers on average, hold 10.2 jobs between the ages of 18 to 38. 10% of new college graduates leave their first jobs within a year of starting; within five years, this number climbs to 25%.
- ✓ One-third of today's workforce begins job hunting on the first day of a new job.

III. Changing demographics indicate a shortage in skilled workers.

- ✓ According to the U.S. Bureau of Labor Statistics projections, the U.S. workforce could experience a shortage of 3-6 million workers by 2012.
- ✓ One half of US workers will be eligible to retire in the next decade. One-third of Canada's population will reach age 65 by 2011.
- ✓ Managerial positions will increase by 25% over the next 13 years while we expect a 15% decline in the 25-44 year-olds (manager talent pool) during the same period. The number of 55 to 64 year olds (retirement eligible) will also increase by more than 45% by 2008, further depleting management talent.
- ✓ Companies that think they'll import their talent going forward will have to think again. The problem extends well beyond the U.S., with 61 countries experiencing lower than replacement-level fertility, according to the U.S. Department of the Census. 32% of the European CEO's cite availability of talent to be the top concern.
- ✓ The "free-agent" movement (independent contractors and temporary workers) is proving to be an attractive alternative for countless workers fed up with too much bureaucracy, too little freedom, and a string of bad bosses. Those leaving the conventional workplace to become freelancers, independent contractors, part- or full-time temps, or consultants are projected to grow from 30% to a startling 41% of the workforce by 2010.

THERE ARE SOME OTHER IMPORTANT FACTORS TO KEEP IN MIND:

☆ Employees' overall expectations have changed.

- ✓ If their work isn't challenging, meaningful, and focused on growth and development, they won't stay—a position supported by Kaye and Jordan-Evans' ongoing survey of over 16,000 workers, on what are their "retention drivers."
- ✓ Employees are not only demanding a life outside of work, but also want some control over how and when they get their work done.
- ✓ And, above all, they want a great boss—often leaving a company for no other reason than their boss is a jerk.

☆ The cost of turnover is high.

- ✓ Experts across the board agree that the cost of replacing talented workers can easily average one to two times their annual salary – not including indirect costs of lost knowledge, declining morale, lost customers and rising inefficiencies (see turnover calculator at www.careersystemsintl.com).
- ✓ The cost to replace a single software engineer averages \$150,000 and, in some cases, can exceed a million dollars.
- ✓ One company estimated the cost of losing a talented engineer to its top competitor to be over \$1 billion.
- ✓ A major healthcare organization conservatively estimated "regrettable" turnover at \$60 million in one year, while a Silicon Valley high-tech firm found their turnover costs to exceed \$120 million per year.

☆ Loss of productivity and engagement equals lost profits.

- ✓ Engaged employees generate 33% higher profits, operate at 50% higher productivity, and score 56% higher in customer loyalty.
- ✓ Hewitt Associates' study shows that employee engagement levels at high-growth companies exceed those of lower-growth companies by more than 20%.
- ✓ Watson Wyatt has found the stock price of companies with high employee trust levels outperform companies with low trust levels by 186%.
- ✓ The disengaged workforce is costing the U.S. economy more than \$300 billion a year (roughly 11% of payroll costs); in the UK, loss is estimated at \$79 billion.

IN ANY ECONOMY, TALENT IS A KEY DIFFERENTIATOR. In a global marketplace driven by ideas, charged by the Web, and free-flowing information, brainpower is THE source of competitive advantage. Hands down, finding and keeping top talent makes or breaks any company.

SO WHAT'S A COMPANY TO DO?

Talent retention and engagement will not only remain one of management's highest priorities over the coming years but also be critical to an organization's survival. Organizations therefore need to focus on four critical areas to retain and engage their talented people:

80% of turnover is related to unsatisfactory relationships with the boss.
-- Saratoga Institute

Another perspective ... A national clothing chain reports it has to sell 3,000 pairs of \$35 khakis to replace one lost salesperson.
-- CNN Money

Many companies are answering to their shareholders about the cost of talent loss. Earnings and stock prices were depressed an average of 38% as a result of turnover costs.
-- Sibson & Co Study

Beverly Kaye and Sharon Jordan-Evans are the co-authors of Wall Street Journal's best-sellers **Love 'Em or Lose 'Em** and **Getting Good People to Stay and Love It, Don't Leave It: 26 Ways to Get What You Want at Work**. Both books are published by Berrett-Koehler. Beverly Kaye is founder and CEO of Career Systems International, a leader in the design and delivery of Talent Management solutions. Workshops are available for managers and employees, based on the concepts of these two best-sellers, to drive retention, engagement and workplace satisfaction as a "two-way street". Sharon Jordan-Evans is a prominent speaker, author and certified executive coach. She is president of the Jordan Evans Group, a company dedicated to increasing organizational effectiveness.

For additional information regarding Career Systems' talent management solutions or to obtain reprint permission:

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I. Employee Development—Support Learning and Growth.

- ✓ Find ways to continuously develop and grow workers' talents.
- ✓ Enrich and enliven employees' work, making every effort to increase the time they spend on desirable and innovative work.
- ✓ Help workers identify opportunities for moving laterally and vertically.
- ✓ Link workers to mentors, coaches, leaders, or colleagues who can offer guidance and support.

II. Management Style—Inspire Loyalty.

- ✓ Ask employees what they want from their work and what it takes to keep them.
- ✓ Provide constant feedback—clearly, truthfully, and respectfully—and, in return, listen closely and carefully.
- ✓ Look for creative, meaningful ways to recognize and reward workers.
- ✓ Create a culture of inclusion—valuing not only differences of race and gender, but thoughts, experiences, and attitudes as well.
- ✓ Hold managers accountable for retention and then give them the training and the tools to do it.

III. Work Environment—Create One That People Love.

- ✓ Let fun happen.
- ✓ Share information freely and regularly.
- ✓ Give people space—providing the freedom to get the job done in ways that work best for them, from their schedule and attire to their approach and process.

IV. Satisfaction-Invested Employees—Let Them Love It.

- ✓ What employees want could be right where they are.
- ✓ Employees can be in charge – they're ultimately responsible for their own satisfaction.
- ✓ There are ways for employees to drive their own satisfaction.
- ✓ Don't Wait – instead of settling for work that doesn't work for them, they can take the steps to make the job they have, the job they love.

The new battlefield is as much for talent as it is for key customers. Companies need to apply the same rigor to people management as they do to customer management.
 -- The War for Talent
 Ed Michaels, et.al.