



***The Gathering Storm***  
**Caution for Leaders in 2010...and beyond**

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We are living in a new world, a new paradigm if you will. As we enter into 2010 it is unclear what the implications of this new world will hold for each of us, but we do know the impact of this particular recession has been far reaching and painful, affecting nearly every corner of the marketplace. Across the country, uncertainty reigns as the tepid recovery we seem to be experiencing is tenuous at best and unfortunately, job creation will likely lag behind as leaders are continually asked to deliver more with less.

As a result of this mandate to stay lean, job opportunities are scarce and employers enjoy the upper hand. Companies receive hundreds of applications for each advertised job opening. This plethora of available candidates and the need to cut costs and maintain profit margins has led companies to demonstrate behaviors typical in a recessionary cycle. A recent survey by Deloitte of 200 executives spanning a variety of industries on the topic of motivating and retaining key talent in a challenging economy yielded these findings (source: *Compensation and Retention in a Turbulent Economy Under Pressure* from a 12/14/09 article posted on Deloitte's web site):

- While the macro-economic outlook may have brightened, the recovery has been uneven – and pessimism about the past, rather than optimism about the future, appears to be driving corporate compensation strategies.
- Every component of compensation remains under pressure – from base pay, bonuses and retirement plans to stock options and restricted stock grants.
- Companies appear to have little appetite for modifying compensation plans in order to increase payouts to employees, even to top talent. Retention programs remain a relatively low priority for companies in many industries that believe employees “are lucky they have jobs” in a tough economy.
- At least 85 percent of surveyed companies will not provide standard merit increases on base salaries in 2009.
- Six out of 10 executives (64 percent) surveyed reported their companies plan to award bonuses below target this year.
- Nearly one in three executives surveyed (29 percent) stated their companies either decreased (9 percent) or suspended (20 percent) 401(k) matches in 2009.
- Some companies, however, are holding compensation packages steady or even increasing them, positioning themselves for a turn in the economy when the talent market heats up. Organizations that adjust their compensation and retention strategies now stand to benefit as the recovery takes hold.

In defense of company leaders, there is a necessary and understandable need to cut costs in order to maintain profitability and in some cases survive. The argument can be made that they have taken the appropriate steps to preserve jobs and the long-term health and sustainability of the organization in this new marketplace. There is truth in that. Our desire is not to examine the rationale or effectiveness of these past decisions, but rather, shift the perspective of leaders and focus attention on the coming storm.

### **The Forming Eye of the Storm**

As we look toward the horizon of 2010 and beyond, we see positive events sure to unfold. The economy *will* recover and correspondingly, unemployment *will* shrink. But, an improved economy and tighter labor market represents a significant issue for companies who will need to retain their best employees. We have been listening carefully for many months to employees from companies of all sizes and types. It is clear that today's fear of job loss will eventually translate into a mass exodus as employees pursue better jobs, more income and better benefits with other companies as the economy improves and the long delayed "war for talent" starts being waged.

Right Management, a division of Manpower, recently surveyed more than 900 workers in North America and asked: "Do you plan to pursue new job opportunities as the economy improves in 2010?" Here are the results (source: *Employee Discontent Expected to Reach Crisis Level Next Year*, from an 11/17/09 post on Right Management's web site):

- 60% - Yes, I intend to leave
- 21% - Maybe, so I'm networking
- 6% - Not likely, but I've updated my resume
- 13% - No, I intend to stay

Douglas J. Mathews, President and Chief Operating Officer at Right Management, offers this insight into the survey results: "The study provides a barometer of employee engagement in the workplace, with results that might alarm and surprise many employers. Employees are clearly expressing their pent up frustration with how they have been treated through the downturn. While employers may have taken the necessary steps to streamline operations to remain viable, it appears many employees may have felt neglected in the process. The result is a disengaged and disgruntled workforce."

As we extend our gaze a bit further, we see another looming challenge that will likely follow closely on the heels of the economic recovery. Baby Boomers will be exiting the workforce in droves and the succeeding generation does not possess adequate numbers to fill the gap. Hard to envision today, but this is reality. What does it mean for companies and leaders today? Quite simply, the combination of these forces could unravel the very foundation of many companies and leave them at a severe disadvantage in terms of talent and leadership.

## **Battening Down the Hatches**

We have some words of caution to offer company leaders everywhere: *Take care of your employees*. If done now when times are tough, it will strengthen your organization and allow you to weather the impending storm as it batters at your talent foundation. Naturally, one clear means to do this is through financial health and wholeness. When it is economically feasible, restore lost wages and improve benefits.

But, our recommendation is around something even more immediate and vital to the future health of all organizations – employee engagement at work. We define *employee engagement* as the degree to which employees possess a sense of commitment to the organization – its values, goals, purpose and most importantly, its leadership. When engagement is high, interests, efforts and decisions are aligned at every level of the organization in a focused and powerful way.

Consider the pro-active approach of Atlanta-based Cox Communications shared with us by Mae Douglas, the company's Chief People Officer: "During the last 18 months, Cox Communications' senior leadership has focused on developing a clear direction for employees. With all the changes that occurred in our business, employees want to know where we are going as a company. We believe our ability to articulate company direction is a key component of engagement. We are helping employees to understand that while some parts of our business are more mature, there are growth segments that will provide continued professional development for employees and position the company for long-term success." That's a level of engagement that is sorely needed and largely absent in today's climate.

Before sharing suggestions to help you attend to the needs of your people and foster engagement, we want to offer what has become a bit of a cliché in Corporate America: *People are our greatest resource*. Unfortunately, we've largely forgotten this truth. Not only are employees largely disengaged (don't confuse physical presence at work with engagement), huge numbers of employees feel like commodities in this recession and are waiting patiently to make a change. The time for companies to be proactive and act is now. Here are some suggestions for engaging, retaining and attracting talent in your organization:

1. ***Acknowledge Reality***-It is easy to prove our point by canvassing your employees and doing a little research on Google about workforce trends and retiring Baby Boomers. It is time to embrace this challenge, but we have to acknowledge that one exists in the first place.
2. ***Trust Requires Transparency***-Be open with your employees about what is going on with your business. Don't hide the truth. Trust that they can handle it and more importantly will appreciate your willingness to be open. Also, let them know (with clear examples) that everyone is making sacrifices from the top down. If you want trust and buy-in from your employees, they need to see and believe in the "real" you.

3. ***Develop an Effective (2-Way) Communication Strategy***-Employees need to have a non-threatening forum for providing feedback to the leadership team ... and the leadership team needs a non-threatening way to share feedback with the CEO. Town Hall meetings, confidential online surveys and old fashioned one-on-one conversations are all effective means for gathering input. But, it is important to also deliver honest and clear communication on the company's financial condition, the sacrifices needed to weather the storm *and* the specific game plan for when things improve. Get in front of the people for this kind of communication and they will respect you for it. No emails please! Keith Conley, Executive Vice President of Atlanta-based Document Technologies, Inc. offered this perspective: "During these trying times, you can see a difference in the slower pace employees walk and the air of uncertainty in what the future will hold. Strong leadership is essential; however, business "All-Hands" updates won't cut it in today's tumultuous environment. There must be an open door for leaders to connect and engage individually with their employees."
4. ***Cover the "Why?"***-In surveying employees across organizations and industries, it is clear there is an overall void in the "why" behind decisions being made by leadership in organizations. As humans, heightened uncertainty comes with a desire for greater understanding of what's going on around us. This is perhaps felt nowhere greater than in organizations today where employees worry about losing their jobs. As one director shared: "Our leader is honest and engaged. During a time when we are transforming our business model, I wouldn't want anyone else. My only request is that he spend more time on the 'why' behind decisions. Without that, I feel uncertain in regard to where I stand with the company (are layoffs looming?) as well as how I need to be thinking about decisions we need to make." This extra step can make a tremendous difference in engaging the entire organization in decision making and commitment to the organization.
5. ***Resource Investment***-If we can agree that "people are our greatest resource," then consider investing in your people in a down economy. Times are tough, but companies always find money for advertising, marketing and other strategic initiatives. If you were to lose 60 percent or more of your best people over the next year, what would that do to your business? Remember the Right Management survey? Retaining your best people and attracting new talent through engagement, competitive compensation/benefits packages, personal development, training, tuition reimbursement, etc. should be considered as strategic an investment as anything else. Again, consider the cost of high turnover in the midst of the coming talent war.
6. ***Build your Bench***-It is not enough to maintain the team you have in the years ahead. Companies we work with are evaluating their leadership bench strength and high potentials ... and the findings are generally not pretty. The recession has not afforded many organizations the ability to build a "talent bench," but we maintain this must become a priority. As one leader noted: "We have a growing organization (even in this tough economic climate) with some of the highest retention in our industry. Our problem is that the average age of our employees is about 39 years, yet our senior leaders are in their mid-to-late 50's. There are huge gaps below our senior positions. We have no bench or fall-back plan if something were to happen to them." This void threatens both the performance of the organization as well as the culture. Make no

mistake-culture and performance are almost always linked. Continually recruit and network to find talented individuals in the marketplace that fit with your culture. Your company's future depends on it.

7. ***Have a strategy to engage Generation Y***-A larger topic by itself, but know it is critical to address the needs of this generation and actively engage with them. They are highly mobile and likely to consider departing when the economy improves. Don't be caught by surprise with outdated thinking and approaches to a rapidly growing section of our workforce. For an outstanding article on leading Generation Y in the workplace, Dr. Tim Elmore, president of [www.growingleaders.com](http://www.growingleaders.com) wrote an op-ed for the *Atlanta Business Chronicle* titled, "How to lead Gen Y well in the Marketplace" (12/11/09). View the article here: <http://bit.ly/5PfpM>
8. ***Don't dump this on Human Resources***-HR plays a very difficult and important role in an organization. In addition to the myriad employment, compensation, benefits, training and OD/OE challenges they are responsible for, traditionally they also hold responsibility for talent acquisition and employee retention. We maintain the entire leadership team, including HR, should collectively own responsibility for talent acquisition and employee retention, yet shared responsibility is rare for these functions across senior leadership ranks. Look closely at those organizations with high employee engagement and you will find the topics of employee retention and talent acquisition common in almost every senior leadership discussion. So what can you do? Challenge senior leaders to hire, train and develop their teams as well as keeping the talent pipeline full and making it part of their compensation ... then you will drive greater results through shared accountability and responsibility.

### **Clearer Skies Ahead**

As we close, let us offer this glimpse into the coming years. Imagine a point not so far off in the distance, when your business has not only stabilized, but has begun to grow once more. You've firmly grasped the idiosyncrasies of the new marketplace in which you live and have enjoyed revenues at pre-2008 levels with promise of more to come. The word "recession" seems something from a distant time as "growth" has taken its place in the popular vernacular. The market and the world is largely optimistic once more.

Hard to imagine at the present moment, yet this time will come. Here is where the story can take two very different paths. One is sadly tragic. It picks up where our sunny vision leaves off. Your market is thriving and growing, but during this time some of your most loyal and productive employees are abandoning your organization at a record pace. They argue they can find something "better" elsewhere and turn a deaf ear to your pleas to stay. Ultimately, the cost of turnover drains the organization of its resources, knowledge and precious time. Ironically, during a time in which your competitors are growing, you are undergoing a reorganization ... again.

There is another, more hopeful ending to our story. It is characterized by an organization (and its people) operating with a sense of commitment and appreciation during one of the most challenging times in its history. Working together, the organization emerges stronger, more focused and more resilient and poised to take advantage of the newly emerging growth opportunities in its marketplace. The organization still wrestles with the challenge of managing talent, but it is a happy challenge. The pipeline is overflowing with employees from other organizations that long for the sense of engagement and commitment that is present in your organization. They want to be a part of your story and will do whatever it takes to make it happen.

Our pens have already touched the paper. The choice in store for us as leaders in 2010 is clear: What story are we going to write?

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