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A Rising Tide?

Employees Begin to Explore Their Options

More employees are beginning to take a course of action that was unthinkable a few months ago. They are quitting their jobs. As reported by many media outlets, according to the Bureau of Labor Statistics the number of workers who voluntarily left (quit) their jobs outnumbered those who were laid off in February, March, and April. Prior to February, the number of layoffs exceeded the number of “quits” for 15 consecutive months. CEO turnover has also increased during 2010 after falling to record lows in 2009. According to a report by Challenger, Gray and Christmas, Inc (a global outplacement firm), there was an almost 30% increase in the number of CEO’s leaving their positions in April 2010 versus April 2009, and year-to-date there has been a 14% increase in CEO turnover compared to the same period last year.

Increased Confidence

Some economists view the increase in “quits” as a sure sign that the job market is improving, because employees now have more confidence that new positions are available. In addition to the hiring freezes which limited the number of jobs available, would-be job-seekers were hesitant during the recession to accept positions that were available for fear of being the “last one in and first one out” in future layoffs. Therefore, those who remained employed during the downturn tended to stay put. Strategic career advancing moves that normally take place did not. Employees that put their ambitions on hold during the downturn are anxious to resume their climb.

Enough is Enough

Other analysts view the increase in “quits” as the bubbling over of frustrations. Remaining executives and managers have been asked to “do more with less” following the cost cutting and

reductions in force implemented by many companies. The longer hours and increased responsibilities did not, however, result in increases in pay or benefits for most. Not surprisingly, employee morale and job satisfaction have declined significantly. In a recent survey, The Conference Board (an independent research organization) revealed that only 45% of workers in the US are satisfied with their jobs. In a survey conducted by Adecco Group North America during the height of the recession last year, 54% of all employed Americans, including an astounding 71% of millenials (ages 18-29), said that they would probably seek a new job once conditions improved¹. As the economy improves, many dissatisfied employees may decide “enough is enough”.

Top Talent on the Move

Increased turnover in the employment market will not be limited to lower level employees. Corporate leadership should take note of the results of a survey conducted by the Corporate Executive Board and published in an article by Jean Martin and Conrad Schmidt in the May 2010 edition of the *Harvard Business Review* entitled “How to Keep Your Top Talent”. According to that survey, one-third of employees identified as “emerging stars” are disengaged from their current company. Most CEO’s are cognizant of the fact that retaining top talent is a critical issue. However, the cost-cutting measures implemented during the economic downturn may limit their ability to make talent retention a priority. The authors of the *2010 Executive Job Market Intelligence Report* published by ExecuNet concluded that senior leadership is not willing to

Route to:

¹ “Stuck in a crappy job – tough” by Jessica Dickler posted to *CNNMoney.com* on July 8, 2009.

make retention a top priority until the overall health of business operations improves. Top performers who were spared in the workforce reductions, but asked to take on more and more responsibility, may be the first to move.

There is another key factor that will lead to more movement by executives – compensation. This may be surprising to some, but according to the ExecuNet *2010 Executive Job Market Intelligence Report*, amid all of the media coverage and political rants regarding bonuses on Wall Street, executive pay decreased during 2009 at every level (including the C-level) due to salary cuts and decreased or non-existent bonuses. Lower pay combined with an increased workload is a recipe for a lot more movement by top talent.

As noted above CEO turnover has increased during the first half of 2010. This is a trend that should continue as the recovery continues to gain traction. Many companies are now looking for a different type of leader. A January 13, 2010 blog post on www.latimesblogs.latimes.com entitled “CEO turnover in 2009 falls to lowest point in five years” by Tiffany Hsu includes a quote from John Challenger, CEO of Challenger, Gray and Christmas that underscores this point. Mr. Challenger observed “If and when it appears that the expansion is finally underway, there could be a surge in leadership changes, with companies opting for growth-oriented risk takers over the ‘just-keep-the-ship afloat’ leaders they favored in the latter half of the recession.” Also, many of those leaders tasked with “keeping the ship afloat” were CEO’s who agreed to stay on board and delay retirement, and now that the recession has ended many of those leaders will voluntarily leave their posts.

Secret Openings

For a variety of reasons, searches for executive positions are increasingly being conducted under the radar. One reason is the increased size of the applicant pools. Because of the effect of the recent recession on their 401(k)’s and other investments, many Baby-Boomers have chosen to delay retirement and remain in the workforce along with Generation X and Generation Y (Millenials). Companies with open positions are leery of advertising those positions for fear of being inundated with resumes from unqualified candidates. For that reason, online job postings

and other tools used in the recent past are being used more sparingly.

Another reason for the increased secrecy in the executive search process is the strategic nature of the openings. As we have noted in prior issues of the *SRA Update*, many companies are seeking to upgrade their executive talent. Companies that are seeking to replace current members of their management team are certainly not going to broadcast that fact as they search for “better talent.” Passive candidates, especially the top talent who were valued enough to be spared from layoffs are not going to advertise their availability either and therefore, expect strict confidentiality from prospective suitors.

A Critical Time

Whether the recent increase in the number of “quits” is a product of increased confidence in the economy or the boiling over of employee dissatisfaction, corporate leadership should take note. Companies will have the opportunity to tap into a deeper pool of talent, but may also lose their own “homegrown” talent. For the variety of reasons detailed in this article, top performers are beginning to explore their options. Companies are also seeking to lure top talent to strengthen and reshape their management teams following the recession. This is a critical time for many companies. The candidates selected to fill both planned vacancies as well as the holes left by unexpected departures will determine a company’s success level for years to come. Due to reductions in staff and increased workloads for remaining employees, many companies do not have sufficient internal resources to devote to these vital searches. With in-depth industry knowledge and expertise, Sanford Rose Associates® offices are uniquely qualified to find the right candidates to fill their clients’ critical openings. Also, Sanford Rose Associates® search consultants understand the delicate nature of executive level searches today and adhere to the highest standards of professionalism and confidentiality in conducting those searches for their clients.

—Rick Carter

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