
POINT OF VIEW: SEPTEMBER 2011

"Strategy is how we create the future while managing the present."
Vijay Govindarajan, Business Strategist

AN EXECUTIVE EXODUS ON THE HORIZON?

Great leadership has much to do with our ability to strategically focus on the future while managing the present. And the management of our human capital is about as important as it gets, especially in today's world.

There have been several studies and pieces of research I've come across over the past 6 months with some rather astounding findings.

Depending on the study, research shows that anywhere from 52% - 85% of those executives surveyed—Director-level to C-level—indicated they were either actively exploring new opportunities or would be open to exploring new opportunities. (And these are all folks who are gainfully employed.) At the low end of the range, it means that **1 in every 2** members of our executive team could be on the hunt.

While certainly not representative of every company in every industry, it can be at minimum, an alarming predictor of what may be looming on the horizon.

■ ***The Root Causes***

While the reasons are many, there are three primary root causes that intuitively, will not be surprising.

1 – *Lack of Growth Opportunity*

According to a recent Gallup poll, this was the #1 reason for people leaving companies today. With downsizings and restructurings over the past five years, organizations have become flatter. There are simply fewer promotional opportunities available. Budget cuts have also eliminated or significantly reduced education, training and professional development programs. As a result, many feel the only way they can grow and achieve greater levels of responsibility is to pursue new opportunities outside their current organization.

2 – *Compensation*

Historically, compensation has actually been further down the list of drivers, maybe 3rd or 4th on the list, but not today. Obviously the economic realities have forced many companies to freeze salaries, offer only minimal increases and even in some cases, actually reduce compensation. For many, bonuses have been either non-existent or at best, minimal. Again, like #1, many executives believe that the only path to higher compensation is to leave their current company in favor of a new opportunity elsewhere.

3 – *Burn-out & Fatigue*

Employees and especially those in leadership roles have been pulled through the proverbial knothole over the past 5 years. Market uncertainty, enormous business challenges, organizational turmoil and considerable financial concerns are all contributors. Expectations are higher than ever and people & financial resources are likely lower than ever. For most, it's not that they are averse to challenge, it's the desire for a new and different challenge.

While these root causes are certainly logical and perhaps not surprising, it is also the reality of environment we're operating in.

■ *Heading Off the Exodus*

Realistically, we can't magically give everyone promotions, big raises or bonuses—even those most deserving. There are, however, some things we can and should do to protect ourselves and mitigate the possible impact this could have on our business.

1 – *Identifying the “High-Potentials”*

Most of us instinctively know who our “best & brightest”, high-potential people are in the organization; those who make the most significant, positive impact on our business. It's essential, though, that we take inventory and formally identify those specific individuals that may require some additional attention and focus. While everyone is important to an organization, it's a question of priority. In today's world, even the most loyal and dedicated should be considered potential “flight risks”. Unfortunately, if we're dealing with “A” players, we'll usually only learn of their intent as we're reading their letter of resignation.

2 – *Communication, Communication, Communication*

There is never a greater need for communication than during times of crisis or turmoil. Sure, we all know this. The problem, though, is that we are often times so consumed by the daily battles and challenges, we just simply forget or neglect it. People need to feel valued; to believe they are part of the solution; to know they are making a meaningful contribution. This is especially true among high-potentials. People are far more apt to understand the realities, if they know their leadership is genuinely concerned and empathetic.

Brian Kibby, the President of McGraw-Hill's Higher Education Group once said that “people don't leave companies; they leave managers.” Communication—formally, informally and often—is critical for employee engagement *and* retention.

3 – *Being Creative in Creating Opportunity*

While we may be limited in offering raises or promotions, there are other ways to create opportunity. It could be hand picking a high-potential to head up a critical, high-visibility project or to lead a new or different team. Maybe it's including them in a management committee group that they have not been a part of or making even a modest investment in their personal & professional development. These are but a few examples of what some companies have done or are doing. Being creative in *creating* opportunity may help re-energize and re-engage a key member of the team and perhaps help lessen the “flight-risk” factor.

The purpose here is not to be the sponsor of more “doom & gloom” but to only remind us of the dynamics of the environment we're all operating in. It is what it is.

The financial cost of losing and having to replace key talent is huge. Estimates range from \$150,000 to over \$350,000 *per person*, depending on the position, size of company, etc. And the operational cost could be even greater, causing considerable disruption and distraction to our organization and business.

The probability of an impending executive exodus is very real, particularly as economic uncertainty is replaced with more clarity and stability. But we can reduce that risk and help protect our most valuable resource.

Wishing you great success,

Rick Balsiger

BALSIGER PARTNERS is focused 100% on people. We are dedicated to helping organizations achieve new levels of performance & profitability. We look forward to assisting you.