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Uncharted waters: navigating between 'restless executive' syndrome and the talent drought.

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Hattonneale is an executive consulting and search firm, bridging the gap between traditional executive search and business consulting. It connects senior executives with businesses requiring executive and senior management input on a consulting, interim, advisory or permanent basis.

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Executive Summary

The GFC has brought with it a substantial shift in the attitudes of organisations and the senior executives who run them.

Australian organisations are finding it challenging to source senior executive talent in the post GFC marketplace.

Talent shortages at the most senior levels and shifting employee sentiment have impacted even the highest echelons of organisations. It is no longer a buyer's market.

Australian businesses need to restock their senior executive ranks in the post GFC environment at a time when many lack the resources to fully 'staff-up'.

Businesses also face a shallow talent pool, some would suggest a drought, even though the GFC was widely believed to be filling up the talent pool as companies cut deeply; the percentage of quality candidates remains low.

This environment has also seen a new phenomenon emerge: the restless executive.

Two years of cut-backs, reduced remuneration, slashed bonuses and neglect of retention initiatives have left senior executives not only restless and cynical but also vigilant about their needs when looking for new opportunities.

The employer brand, many of which were damaged by the GFC, has become a pivotal tipping point for senior executives when choosing where they want to work. Rebuilding employer brands will become a priority for companies seeking senior executive talent.

New research by Hattonneale has found that not only is there a distinct lack of senior talent but companies will need to bring new senior executive skills and experience into their businesses as market conditions change.

These skills shortages coupled with increasing demand will force remuneration up.

Organisations must be flexible and prepared to embrace change if they are to meet the challenges of a talent poor market. They need to tap into the substantial network of senior executives operating outside the conventional talent pool.

The answer for a growing number of businesses and senior executives is the advent of the 'portfolio career'. It's a career that allows business access to cost effective senior executive talent and allows executives to work on a more flexible basis with a range of companies and issues.

Is this the way of the future for Australian business?

The situation is unlikely to change and many organisations are concerned about the potential impact of a lack of higher ranking executives on their ability to recover from the GFC and move forward.

The domestic business climate remains cautious and companies looking to restore their executive teams are looking for cost-effective alternatives to recruiting for permanent, full-time positions.

One option is senior executives who choose to work on a consulting, interim or project basis. Those preferring portfolio careers (i.e. working for one or more companies, sequentially or simultaneously on an as needed project basis) offer an underutilised source of talent in this market.

Introduction

The tide of available senior executive talent was expected to rise significantly during the GFC. In reality, there were more candidates on the market but the very best remained in high demand due to the lean amount of top quality executives. Fast-forward to 2010 and organisations in many sectors are already facing another talent drought where it hurts – at the most senior levels.

According to research conducted by executive consulting and search firm, Hattonneale, the situation is unlikely to improve within the next 12 months. The research¹, conducted amongst senior executive clients, revealed:

- + More than a third (35%) of clients see a lack of appropriate talent as a barrier to business growth over the next 12 months.
- + Well over half (57%) believe Australia will face talent shortages within the next 12 months.
- + More than half (53%) say bringing new skills and experience into the business is a priority.
- + The majority (63%) believe it will be either 'not easy' or 'extremely difficult' to find executives with appropriate levels of skill and experience.

So how can Australian organisations make sure they are not victim of the talent shortfall and ensure they have access to the expertise and skills they need to navigate through the uncertain waters of recovery and beyond?

This paper discusses some of the challenges in the current employment market including the rise of 'restless executive syndrome' and outlines a strategy for sourcing senior executive skills at a time when resources are limited.

“During the GFC there were more people available but when we talked to clients they said: ‘It’s true there are more people around. We advertise and whereas we used to get 10 responses and three of them were good, we now get 100 responses but still only three of them are any good.’ The quantity of really good candidates hasn’t changed much and so attracting and finding the best people is still as hard as ever.” Jane Neale

Australia's shallow senior executive talent pool

Countless organisations cut deeply during the GFC and now need to rebuild management teams, restore the senior executive head count and refresh the skills and experience of their people.

Many organisations still believe it's an employers' market but the evidence shows otherwise: the Australian Bureau of Statisticsⁱⁱ for 2010 show a trend of rising full-time employment and a corresponding decrease in the number of people looking for full-time work.

Australia's pool of top performers is shrinking once more and companies will struggle to find appropriately skilled senior executives.

Employee sentiment has changed

"Two years of cut-backs have undermined workplace trust and companies without the right talent strategies risk developing a major skills shortage just when they need employees' energy and commitment the most." The Economist Intelligence Unit, March 2010ⁱⁱⁱ

The GFC has had a far-reaching effect on employee sentiment. Cuts in the workforce, reduced remuneration, slashed bonuses and neglect of traditional retention strategies have left senior executives in many sectors feeling undervalued and restless.

Moreover, many employer brands have been eroded as a consequence of cost-cutting measures, leaving even senior management cynical and lacking in loyalty to their employers.

This has given rise to the "restless executive syndrome" which is making it even more difficult for companies to recruit the right talent with the right conditions.

"We call it 'Restless Executive Syndrome'; employees are more vigilant. They are asking a lot more questions around company values and company stability. They want to really understand what a company's going to be like to work for in the long-term."
Jane Neale

The impact of 'restless executive syndrome'

"We saw a lot of organisations take their foot off the pedal in terms of attraction and retention strategies last year. Many businesses did themselves a huge disservice and lost a lot of loyalty throughout that process. Winning back the loyalty of people within their organisations and attracting new people is going to be a hard job for a number of companies that really damaged their employment brand during that period." Jane Neale

Hattonneale believes the shift in employee sentiment and the rise of the restless executive is significant and forecasts:

- + A high proportion of the senior executive workforce will actively seek new roles this year; making retention strategies more important than ever.
- + Disenchanted senior executives will demand more of potential new employers.
- + Dissatisfaction now extends to a high proportion^{iv} of senior executives.
- + Rebuilding employer brands will become a priority.
- + Skills shortages will force remuneration up.
- + The GFC driven 'buyers' market' has disappeared.

"Some executives have left full-time employment forever. Many others are restless having held on throughout the GFC. We're anticipating a lot more movement this year. So employers will need to focus again on retention strategies to help keep staff engaged." Anne Hatton

A new mood of caution

“There is a lot more caution going into the next phase. People are thinking ‘we need to be a little bit more conservative about our decision making and how quickly we bring people on board and what type of people we want in this organisation’. That will impact on the way companies recruit in the future.” Anne Hatton

The post GFC environment has also impacted company attitudes when selecting senior executive talent.

Confidence has returned to the domestic market since Treasury boss Ken Henry declared the global financial crisis over. Nevertheless, the business climate remains cautious. And this caution has extended into senior executive talent recruitment.

Organisations looking to replenish their senior executive teams are therefore keen to explore cost-effective options. The advent of ‘portfolio careers’ demonstrates a shift in attitude by both employees and senior executives.

This has resulted in:

- + A more creative and flexible approach to staffing; a full-time, permanent hire is no longer seen as the only option.
- + Interest in importing specialist experience/skills for specific projects/periods rather than increasing the number of generalists.
- + Reluctance to put on permanent cost while other options remain viable.

“As people now gear up coming out of the GFC, many are asking, ‘do we really need to commit to a full-time person or can we find those skills on a part-time more cost-effective basis?’ Jane Neale

An innovative employment model – the ‘portfolio career’

In the new cautious business climate many companies are looking to restore senior executive input but want to protect the bottom line. They are starting to think laterally about engaging senior staff without committing to a permanent position and a burgeoning market is developing for senior executives working on a consulting, interim or project basis.

“The people we’re working with are looking to use their skills and experience and leverage that back into organisations where they believe they can add value. That might be on a short-term consulting basis, on an advisory board, it might be as a non-executive director of a company or it might be doing some mentoring and coaching.”
Jane Neale

This trend, known as the ‘portfolio career’, is well established in the US and Europe where higher-ranking executives who have left full-time employment permanently, look to consult into businesses seeking senior level executive insight on a part-time or project/interim basis.

It’s becoming a popular way to work amongst successful senior executives who believe they have earned this next stage in their career, for example, after selling a business or who are looking for greater balance (professional or personal) in their lives.

The ‘portfolio career’

“We have executives who want a full range of portfolio roles and some who’ve decided they want to work three or four days a week only. And we manage a portfolio of relevant and interesting jobs for them.”
Anne Hatton

The portfolio career is defined as when an executive deploys their skills and experience across a number of organisations, simultaneously or sequentially.

Hattonneale believes it represents a significant segment in the senior executive search sector and is set to grow as companies and senior executives come to appreciate the advantages this working arrangement delivers.

Creating commercial advantage

The benefits of portfolio careers include:

- + Senior level input is brought in on an 'only as needed' basis, without permanent cost or commitment.
- + Organisations can source as much knowledge/skill as they need to deal with particular business peaks or crises.
- + It's an opportunity for small to medium enterprises to punch above their weight by bringing in, for example, a contractor on a part-time basis who is more senior than the budget would allow for a permanent position
- + Senior executives contracted on a part-time basis are usually very cost-effective; they come into a situation knowing exactly what needs to be done and are able to 'hit the ground running' and expedite its implementation.
- + This type of senior executive 'contractor' leaves a legacy of experience, intellectual property and skill that can benefit the employer for years to come.

"We've found people who stripped away layers of senior management to save costs during the GFC, are looking for cost-effective ways to bring some of those skills back into the business without putting on the permanent head."
Jane Neale

"If the person has the right DNA it can lead to good business outcomes. It's an opportunity to get a fresh set of eyes, some new capability, some new credibility and deal with some shorter-term issues without necessarily bringing in the consultants. On this sort of basis you have increased ownership of the relationship and can get the outcomes you want. This employment agreement works very well and is under exploited for things like maternity leave or other kinds of leave of absence. It's a superb way to go."

Fred Bertram, Chief Operating Officer of ING Australia and Hattonneale client

Implications for the market – no more gold watches

The GFC has brought changes that are both profound and permanent. The days of a 'job for life' and the gold watch for retirement are long gone. Today's teenagers are forecast to have between 10 and 14 jobs by the time they are 38^v. More fluid career paths that suit a work-life balance are fast becoming the global norm.

The new senior executive employment landscape is characterised by:

- + Australia's talent poor market; demographics dictate it.
- + A more cautious approach to rebuilding the workforce, where cost-efficiency and flexibility are key.
- + The 'restless executive' who is ready to move after 'hanging on' during the GFC but is demanding more from prospective employers
- + The rebuilding of employer brands to help entice the right senior executive talent
- + A more creative and flexible approach to talent management.
- + Portfolio careers enabling executives to leverage their skills and experience across a number of organisations, simultaneously or sequentially.
- + Flexible boardrooms, where executives are handpicked for their strategic and tactical contribution, whether short or long term.
- + A rise in executive coaching and mentoring as an efficient and cost-effective means of developing skills and experience, particularly in younger companies.

Conclusion

“It’s a significant period offering new opportunities for Australian organisations. The GFC provided a great catalyst; making employers really think about how they want to engage their workforce, how they want to spend their money and has opened their eyes to the availability and the power of using contractors and consultants.” Anne Hatton

The GFC may be behind us but there is no room for complacency as we move forward; Australian organisations continue to face challenges caused by a shallow talent pool and the restless and demanding senior executive. That situation is unlikely to change.

It is the attitudinal shift among both senior executive talent and organisations that is driving fundamental change.

Organisations seeking to achieve competitive advantage will search for senior executives of the highest calibre but will look for cost-effective options that help protect the bottom line.

While some senior executives will seek permanent, full-time positions, another increasingly significant group is likely to be motivated by opportunities to work on challenging, interesting projects on an as-needed basis.

This will become the ‘new normal’ for business.

Organisations embracing this new way of thinking and working will be best positioned to navigate beyond the shallow waters of the conventional talent pool and attract best in class talent to work with them, whenever and however their organisation demands.

“Employers should understand that the talent shortage is real and take some learnings not just from the GFC but prior to that. Investing in acquiring the right talent, keeping them engaged and developed is absolutely critical; if you haven’t got the right people you are limiting your potential to succeed.” Jane Neale

ⁱ Hattonneale research conducted in March/April 2010. 295 senior management surveyed, 68 responses received.

ⁱⁱ Australian Bureau of Statistics, employment figures for 2010.

ⁱⁱⁱ *Companies at a Crossroads*, report researched and written by the Economist Intelligence Unit, sponsored by StepStone Solutions, published 4 March 2010.

^{iv} Global research by BlueSteps (a service of the US Association of Executive Search Consultants) showed 41% of senior executives are dissatisfied in their jobs post-GFC.

^v US Department of Labor