

The fundamental assumptions that guided many of the philosophies, principles, beliefs, and teachings of leadership have been largely based on the availability of an ever-expanding and perpetually better-educated talent pool. Those assumptions are about to change in a big way. All of our weather gauges are buzzing.

By Craig R. Taylor

Retention Leadership

Each of us has at one time or another designed, facilitated, or participated in a leadership-focused learning experience. Leadership programs come in all shapes and sizes, all degrees of sophistication. They are the bread and butter of training departments. Developing leaders has long been at the center of the universe for the learning and performance improvement profession.

Beginning early in the past century, when small proprietorships gave way to the rise of major corporations following the industrial revolution, organizational hierarchies emerged, thrusting the role of leaders into the spotlight. In 1923, the American Management Association was formed, with a focus on educating leaders, and Fredrick Taylor, with his widely adopted principle of “scientific management,” helped popularize and shape our early understanding of the role of leaders in managing talent.

In the second half of the century, leadership training took off when organizations, such as the Center for Creative Leadership, opened and a wave of university-based executive education programs followed in the footsteps of Wharton, the first one, in 1953. Today, in ASTD’s most recent State of the Industry report, “managerial/supervisory content” is the highest ranked non-technical area in total content-related spending. Google the phrase “leadership development” and more than 7 million records emerge. The last time I looked, Amazon.com listed 59,366 book titles under the heading “Leadership.”

The rush to capitalize on the widespread growth of leadership development has spawned countless theories, competency models, principles, programs, and practices. Whether it’s grooming potential team leaders, preparing new supervisors, or coaching executives, the development of future and existing leaders is an immensely integral part of workplace learning. Few observers would argue that this boom has been anything but good—good for organiza-

tions, good for the people who become more confident, competent leaders, and good for people being led.

But is it possible that this decades-long journey could be getting blown off course? That the winds of change quickly picking up speed are blowing faster than the leadership movement is adapting? Think about this: Seismic forces are at work that may shake the very foundation on which leadership development practices have been built. The fundamental assumptions that guided many of the philosophies, principles, beliefs, and teachings of leadership have been largely based on the availability of an ever-expanding and perpetually better-educated talent pool. Those assumptions are about to change in a big way.

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A gathering storm

In October 1991, Hurricane Grace, an unusual late-season tropical tempest, collided with a frigid and aggressive Canadian nor'easter just off the New England coast of the United States. The resulting fury was described as "the perfect storm" and recounted in a movie of the same title. It wreaked havoc on that part of the world. As we sail into the 21st century, "an unavoidable demographic time bomb fueled by aging baby boomers and lower birth rates will result in a significant shortage of workers," says Richard Finnegan, chief client services officer for TalentKeepers, an employee retention firm. "Couple this with a widening gap between the skills demanded of today's jobs and the readiness of people entering the workforce, and the result is going to be the labor market's 'perfect storm.'"

In one of the most thorough studies of the problem to date, an analysis by the Domestic Strategy Group of the highly regarded Aspen Institute shows that growth of the prime age 24 to 54 U.S.-born workforce during the past 20 years was 44 percent. For the next 20 years, the institute projects that this growth will drop to zero. The overall U.S. labor force saw a 50 percent rise from 1980 to 2000, but will rise just 16 percent through 2020. "For the past 20 years, businesses have relied on the dramatic growth of the native-born workforce to find an ever-expanding supply of new workers. That growth is now over," says the report.

The 76 million baby boomers all are within striking distance of retirement. As they retire, employers face a major exodus from the labor force. The U.S. Department of Labor estimates that 26 million Americans will retire from the 147 million-person labor

force by 2008. How will that affect growing industries? Health care is just one example. The *Journal of the American Medical Association* fears the nursing shortage will fall to nearly 20 percent below demand by 2020. Nursing school enrollment has been on a steady decline. Similarly, the U.S. Bureau of Labor Statistics predicts the health-care industry will grow at a rate of 25.5 percent through 2010, and will add 1.3 million new jobs. Where will the people come from to take the new jobs? Technology, food service, retail, and other industries are predicted to grow at similar rates, adding new jobs that may go begging for workers.

In a study on the subject for the National Association of Manufacturers, written by labor economist Anthony Carnevale, former chairman of the National Commission for Employment Policy in the Clinton administration, he describes the coming worker shortage this way: "By comparison, what employers experienced in 1999 and 2000 was a minor irritation. The shortage won't just be about having to cut an extra shift. It will be about not being able to fill the first and second shift, too."

Projections based on people already born are known to be highly accurate. This is not a prediction; it is a statistical reality. Typical of the wave of new reports on the problem, a recent *New York Times* article flatly states, "Conditions in the late 1990s may have been a reflection of job markets to come. And they are coming very quickly." The reality is, "There simply aren't enough workers behind the boomers in the labor supply pipeline to fill their jobs."

The widening skills gap

As if the labor shortage alone isn't enough to worry employers, there is a growing skills gap that may create more woes for those trying to hang on to good people and fill vacant jobs. The skills gap is largely being fueled by the educational demands of knowledge work. "Eighty percent of the new jobs created since 1992 require some degree of post-secondary training or education," says Emily Stover DeRocco, Assistant Secretary of the U.S. Department of Labor's Employment and Training Administration. This dramatic acceleration in the educational demands of new jobs is "driven largely by technology and the tremendous growth in knowledge workers who now account for a third of the U.S. workforce," she notes.

Aspen Institute's research adds to the Department of Labor's data on the coming skills gap. In the past,

productivity in the United States has been boosted by technology, coupled with a more highly educated workforce that can take advantage of it. But Aspen's analysis shows that the increase in the share of workers with post-high school education will fall from 19 percent over the past 20 years to just 4 percent for the next 20. DeRocco adds to that point: "Ninety percent of U.S. high school graduates say they will go to college. Sixty-three percent actually go, and 30 percent graduate."

Those two forces—more jobs, less educated workers to fill them—create the perfect storm and portend potentially difficult and disruptive times ahead for leaders. The Aspen Institute report summarizes it this way: Ignoring these problems "will threaten our productivity and growth, our international competitiveness, and, potentially, even our very cohesiveness as a nation. The combination of slowing labor force growth and slowing skills growth looks particularly ominous." Keith Berwick, executive vice president of seminars for Aspen who also serves as executive director of the Henry Crown Fellowship program for leaders 25 to 45 years old, says, "There is a shortage of leaders now who are equal to the challenge of the times."

Lurking in the shadow of this scary situation is yet another problem. Worker discontent is growing. Accenture released a new survey of 500 middle managers, 38 percent of whom are currently looking for another job and 10 percent more who plan to start looking now that the economy has perked up. The Society for Human Resource Management and the *Wall Street Journal's Career Journal* released a report in August 2003, indicating that 83 percent of employees surveyed said it was "extremely likely" or "somewhat likely" they would actively seek new employment once the job market improved. That is reinforced by a 2003 study by The Conference Board, which found that employee discontent is at its highest since the survey began in 1995.

Now that the economy is improving, signs of unrest are already showing up in the workforce. Monster.com currently commands 36 percent of the worldwide Web career market, more than half of its nearest competitor, Hot Jobs. Traffic to the site is robust. In the third quarter of 2003, Monster.com had 16.7 million unique visitors who stayed an average of 15.6 minutes. In the most recent metrics available, from 2003, there were 30.7 million active résumés in the Monster system, up from 19.6 million just a year earlier.

Putting all of this together, it's clear that every

organization, large and small, that expects to grow and prosper must make talent retention a top priority. Managing unwanted employee turnover may become the most important business issue of the next decade.

"Every available worker will be sought after by every available employer in the near future," says DeRocco. The "war for talent" of the late 1990s will look like a skirmish compared to the future battles to retain well-performing employees, in which the only source of workers may be to rob them from other organizations. Now, as the economy regains its footing and early signs point toward a jobs recovery, the problem is likely to accelerate, not slow. Failure to make employee retention a priority may be at the least a form of organizational denial and, at worst, a recipe for steady decline.

Leaders take the helm

This is where leaders come in. Organizations no longer can afford to leave the responsibility for keeping well-performing employees in the hands of the HR department. Responsibility and accountability for retaining talent need to move out to the front lines and into the hands of leaders. Competitive pay, benefits, and teambuilding programs, while helpful, no longer are enough to keep workers from shopping for their next opportunity. Leaders and their skill in building a climate of retention, a culture that speaks to employees in a way that encourages them to stay, will be an organization's best defense against unwanted turnover. Leaders are the secret weapon in keeping valued talent longer.

Research reported by the HR Institute, an affiliate of the University of Tampa in Florida, is typical of a wave of new studies that cast the spotlight on leaders. These studies cite "a good worker-supervisor relationship" as the number 1 contributor to employee retention. But how well prepared are leaders to perform this critical role? Getting leaders to accept accountability and learn new skills—retention skills—may first take some unlearning. It's those fundamental assumptions about the availability and skill of the workforce that may get in the way.

Here's one example. *How to Be a Great Boss*, a new, popular leadership book by Jeffery Fox, recites many of the well-traveled and familiar bits of advice on how to be a leader. A central part of the book is "The Great Boss Success Formula." Here are the formula's top two most important criteria for leaders:

Top Ten Retention Talents

These capabilities have been identified by TalentKeepers through extensive surveys as the critical leadership competencies that retain talented people.

- 1. Trust Builder:** Creates a sense of trust and concern with team members.
- 2. Esteem Builder:** Develops ways to give team members responsibility, freedom to act, and feel good about themselves.
- 3. Communicator:** Communicates the importance of retention to team members and others effectively.
- 4. Climate Builder:** Develops ways to make work and the workplace enjoyable and fulfilling.
- 5. Flexibility Expert:** Recognizes, understands, and adapts to individual needs and views.
- 6. Talent Developer and Coach:** Develops and coaches team members to help them grow, which results in greater commitment and loyalty to the organization.
- 7. High-Performance Builder:** Creates conditions that reinforce high levels of team member performance, particularly critical for retaining the most talented people.
- 8. Retention Expert:** Develops retention knowledge and an understanding of the supporting values central to initiating effective retention-focused actions.
- 9. Retention Monitor:** Demonstrates ability to measure and identify potential retention problems and take preemptive action.
- 10. Talent Finder:** Within the scope of his or her role, actively seeks to source and select qualified people effectively.

1. Hire only top-notch, excellent people.
2. Put the right people in the right job.

That advice is no doubt well intended and, on the face of it, credible enough. It's a familiar tune. But what should a leader do when there aren't enough "top-notch" people with all of the right skills to go around? Then what? There are many terrific leadership books about charisma, focus, passion, and courage—and thousands more covering good, solid management skills. But what if you're losing 50 percent or more of your employees a year like some or-

ganizations already are? Will the same success formula still apply? Are the skills the same?

A comprehensive study by TalentKeepers, encompassing more than 40,000 workers and 350 organizations, verifies that what employees want in a leader is one whom they can trust, treats them fairly and as individuals, shows care and concern for them, and more. TalentKeepers also uncovered what workers don't want. Listen to the voices from the front line, culled from thousands of similar comments on what drives people away:

- "This is a very negative, control place where cronyism is rampant and leadership is nonexistent. We are doing everything possible to run off talent and bully those who remain."
- "Why am I leaving? I have a manager that treats me as though I could easily be replaced, a manager that doesn't listen and simply wants to be the boss."
- "I don't feel as though I'm important to this organization, even though I've been here for six years."
- "They [supervisors] treat us like criminals or as if we're on parole—treating us like we mean nothing and they have no problem getting rid of us. Stop threatening us!"

No amount of preferred parking, company picnics, or free company T-shirts are going to keep people who are treated poorly by their leader. TalentKeepers's Finnegan, half jokingly, describes it this way: "When was the last time you heard a good worker say, 'My boss treats me like dirt, but I'm sticking around for employee appreciation week. I'm getting a hotdog and a balloon, and I'll be over the top.'"

Leadership skills we need now

Ask someone to think of the best boss he or she has had, and it will be a boss that person trusted. Those that weren't trusted will be remembered as the worst bosses. "Most workers, particularly those on the front line where it really matters, feel as though leaders have ultimate power in the workplace—power over pay, promotions, favorable assignments, job security, and more. People's satisfaction, productivity, and engagement hinge most on someone who treats them fairly and whom they can trust," says Finnegan.

Cynthia McCauley, a senior fellow at the Center for Creative Leadership, says that in times like these "commitment comes to the forefront. How do you get people committed to an organization, and who want to stay there? Developing trust is a key element

in gaining commitment.” She adds, “In a world of dwindling workers, it will be far too easy for people to find organizations they could be committed to.”

Ten retention talents

TalentKeepers’s research has identified 10 retention talents essential for leaders to understand and perform in order to retain and engage employees. Being a “trust builder” consistently surfaces as what employees most desire and expect of their immediate leader. Much has been written about the importance of regaining trust for organizations and even industries, but it must start at the one-on-one level. McCauley describes this as an organization’s “connective tissue” and says there is going to be much greater emphasis in the future on developing relationships. “Building trusting, positive relationships is just as important as developing leaders,” she notes.

Stanley Bing, who writes the *Fortune* column *While You Were Out*, quips, “Managing by terror is a time-honored technique.” Unfortunately, it is still prevalent. No leader comes to work wanting to do things poorly, but desire and motivation alone do not beget skill. Leaders need to be trained in retention skills and understand their role in managing unwanted turnover. Leadership development must be about specific business outcomes, and few business priorities will have more visibility in the near future than keeping talented employees and ensuring that they’re actively engaged in their work.

When it all works, when an organization zeroes in on helping leaders learn how to be retention experts, you get quotes like this one from a customer service representative in the TalentKeepers study: “My current manager is supportive, flexible, caring, creative, knowledgeable, sincere, and focused. She carefully develops a personal relationship with our entire team. Her dedication and support have been unsurpassed. I can honestly say that I love her for her caring drive and desire to ensure our success as a team. She’s a true professional in her commitment to excellence, her desire to succeed. She’s honest in her dealings and a trusted leader. I have the greatest respect for her as a true leader; what an asset to this organization. Let’s clone her and watch our company grow with creativity, enthusiasm, and excitement as we take the marketplace by storm!” **TD**

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