



Retaining and engaging senior talent

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Abstract

One of the most critical issues facing business in the next few years is the potential exodus of senior talent. It is the “elephant in the room” for most organisations. Yet too few have assessed their own vulnerability to this issue – let alone tackled it in any meaningful way with their senior executives.

Helping senior executives plan their “3rd act” presents an opportunity for organisations to engage and retain talent they can’t afford to lose – and create competitive advantage in the process.

3rd act planning also offers tremendous benefits to senior executives who, increasingly, are rejecting the traditional notion of retirement in favour of a “portfolio lifestyle” of rewarding professional and personal activities in their 3rd act.

This paper outlines:

- The nature of the talent retention issue now being faced by organisations and senior executives – and why they should be undertaking 3rd act planning together
- Why this is now such a significant issue
- The notion of a 3rd act and importance of 3rd act planning
- The dangers of not engaging in 3rd act planning
- Why this is proving such a difficult issue to solve
- Potential benefits from 3rd act planning, and
- In conclusion, a call to action for companies and executives to show leadership in tackling this issue.

This paper is part of the act3 Insight Series, which has been designed to raise awareness, share information and encourage debate on 3rd act planning for executives and organisations.

Understanding the issue

One of the most critical issues facing business in the next few years is the potential exodus of senior executives in a market where talent supply is already critically constrained. Yet too few organisations have really assessed their vulnerability to this issue or engaged their senior executives in 3rd act planning.

Many senior executives are avoiding 3rd act planning at a personal level for fear it weakens their position or because they are afraid of “what next?” in their life.

In short, lack of 3rd act planning for senior executives is the “elephant in the room” issue in many companies. If left unaddressed it can have potentially devastating short and long-term consequences for organisations and individuals.

Yet, if tackled well, 3rd act planning presents an opportunity for organisations to engage and retain talent they can’t afford to lose – and create competitive advantage in the process.

3rd act planning also offers tremendous benefits for senior executives who are rejecting the traditional notion of retirement in favour of a “portfolio lifestyle” of rewarding professional and personal activities in their 3rd act.

The need for companies and executives to show leadership in tackling this issue has never been more urgent or compelling.

Why the panic – why now?

Global figures on workforce retention are alarming. The Employment Policy Foundation in the United States projects a shortage of 10 million workers in their local market by 2015 and 35 million workers by 2030. Dychtwald et.al (2006) suggests nearly 7 million people in key managerial and technical jobs may exit the US workforce in the next 10 years.

This trend could be even more pronounced in Australia, which has one of the world’s lowest average retirement ages. Up to 40% of the current working population in Australia will reach retirement



age over the next three to five years. Access Economics predicts a potential shortfall of 195,000 workers in that time.

However, only 14 per cent of employers worldwide have strategies in place to recruit older workers and have implemented them, according to a 2007 survey by Manpower Inc. And less than one

BURNING NUMBERS

- **30-40%** of the current working population will reach retirement age over the next three to five years.
- **195,000** is the predicated shortfall of Australian workers in the next five years
- **35 million** is the predicated shortfall of workers in the United States by 2030
- **CY 2022** will see the number of workers leaving Australia’s workforce exceed the number entering it
- **86%** of companies worldwide have no strategy for retaining older workers
- **80%** or more have no recruitment strategy for this demographic
- Workers aged 45 and over are 2.6 times less likely to have left their jobs in the preceding 12 months than workers aged 44 and under.
- **10-14** is the number of jobs a US college can expect to hold by the time they are 38
- **23 hours** of training each year was received by workers 55 years and older in the US
- **57 hours** of training each year was received by workers 45 to 54
- **46%** of respondents to an Australian Psychological Society said feeling valued was a driving factor in remaining at work
- **1.5 times salary** is the rule of thumb cost to replace executives

HOW VULNERABLE IS YOUR ORGANISATION TO THE DEPARTURE OF SENIOR TALENT?

- What is the current demographic make-up of your organisation?
- How many of your staff will reach “traditional retirement age” (say 60) within 3-5 years?
- Do current strategic priorities highlight a need to retain specific experience and skills in the business? If so, where do those critical skills currently reside?
- Based on the first three points above, what organisational areas, roles or individuals emerge as priorities for attention – to engage and retain senior talent?
- What assets might retiring talent take with them when they leave (e.g. business relationships, corporate knowledge)?
- Do you have policies and practices in place to identify, engage and retain senior talent?
- How effective have those strategies been in the past?
- Why are senior workers leaving?
- Is there a process to discuss career and life goals with senior talent to better accommodate their personal and professional needs?
- Do work policies genuinely support organisational strategies to retain senior talent?

THE FALLOUT FROM POOR 3RD ACT PLANNING

For Companies:

- Corporate history is lost as executives leave the firm
- Business relationships go with them
- Industry knowledge is lost
- Leadership experience cannot be passed on to others if career transition and succession is not properly planned
- Competitors often hire your executives when they leave
- Costs of replacing lost executives are substantial

For Executives:

- Resentment towards the organisation grows
- Stagnate in their careers before they leave
- Loss of identity when their career ends
- Goodwill towards the company evaporates

third of human resource managers in the US have charted their organisation's demographic make-up, reports Dychtwald et.al (2006).

Current market cycles also underscore the importance of retaining leaders with experience on their side. For example, in the finance sector, banks are looking for leadership from executives who have been through credit crunches and liquidity squeezes – a cycle the market hasn't faced to the current extent for more than a decade. Every industry is different, but the need to engage and retain senior talent has never been greater.

Organisations need to engage and retain their senior talent much more effectively than they have in the past if they are to survive and thrive. New and practical approaches are needed. This is where 3rd act planning becomes critical.

What is the 3rd act?

We believe life can be viewed in three core acts: learning, earning and living life and career on your own terms.

Increasingly, senior executives seek a continuation of career in their 3rd act and reject traditional notions of retirement. They cannot contemplate life without the professional fulfilment that comes from work, and nor should they. They want to channel their experience and capabilities into a "portfolio" of activities that are professionally and personally rewarding.

A 3rd act portfolio may include different corporate roles – potentially with reduced hours, as a mentor, board member, market networker or project expert. It might also create more time for family and friends, travel and physical health or the development of new skills.

Although the 3rd act is high on the agenda for baby boomers, more generation Y and X professionals also want a stronger combination of learning, earning and career and life on their own terms at an earlier stage than previous generations, and will change employers to get it.

The critical point is planning. If planned well, the 3rd act becomes a time of great personal and professional fulfilment for executives, their partners and families.

ROADBLOCKS TO 3RD ACT PLANNING

- Executives fear it will weaken their position if they openly start to plan their third act
- Executives often feel uncomfortable focusing on their own needs
- Executives worry about "what's next" for them and will not let go
- Board directors, especially older ones, often had little help planning their own career transition
- Human resource departments are not set up to solve 3rd act planning
- Organisations skew their internal resources towards career development and retention of younger workers
- Organisations fail to adapt remuneration and benefit policies to make internal 3rd acts an attractive option
- Organisations fail to invest in retraining initiatives for those in their 3rd act
- Traditional workforce strategies cannot solve what is a complex problem

WHAT 3RD ACT PLANNING MEANS FOR:

Boards:

- Directors must ensure senior executives are thinking about career transition planning
- Directors should ensure that values associated with respect and loyalty toward employees translate to support for 3rd act planning
- More risk management and remuneration sub-committees need to consider issue
- Should examine their own 3rd act planning, especially if they are due to leave board

Chief executives:

- Need to consider own circumstances in relation to 3rd act planning
- Must ensure senior reports are considering the issue
- Need to ensure HR department has appropriate strategies to deal with the issue
- Need to review how vulnerable the company is losing to talent
- Need to differentiate firm as an employer of choice through executive retention strategies

Human Resource departments:

- Need to conduct audit of numbers of executives approaching 3rd act
- Need to assess the organisation's vulnerability to the departure of senior talent
- Have to monitor employee engagement levels and the alignment of skills and experience to specific strategic initiatives
- Must ensure appropriate career planning policies are in place
- Must ensure consistency in the delivery of those policies
- Need to develop boundaries to ensure individual 3rd act goals meet organisational goals
- Should strengthen systems to capture knowledge and contacts from departing executives
- Should check training resources are not overly skewed to younger workers
- Should develop strong alumni networks among 3rd act executives



The dangers of not undertaking 3rd act planning

All too often, senior executives reach a point in their career where they are left to their own devices – with little, if any support for career and skill development. Many lose interest, become frustrated, and may retire too soon because they and their company had not thought about new, mutually beneficial options.

Worse still, talented executives may have joined competitors, because they felt it was their only option to achieve a different work / life balance. Suddenly, a competitor gets the benefits of a re-energised executive and all their skills, experience, business relationships and goodwill.

An underlying problem here is that many companies skew their resources to support the career and life aspirations of younger workers who, ironically, do not intend to stay as long as their more experienced colleagues. For example, the average college graduate in the US expects to hold between 10 and 14 jobs by the time they reach age 38, according to the US Labour Department.

Some companies have also failed to consider how they can use their alumni networks to tap the passion and knowledge of their former executives. This precious resource often goes to waste even though it is eager to be utilised.

At a personal level, we have seen talented senior executives struggle to function and lose their self esteem as their career ends for want of a better career/life balance. Their almost exclusive focus on career has meant they may have “unlearned” things that they enjoyed, such as recreational interests, or failed to invest enough time taking care of their physical and mental wellbeing.

We have seen relationships suffer because executives and their partners could not cope with what is a life-changing event. And we have seen friendships lost when work is no longer the glue that binds.

The needs of older executives seem to fall between the cracks in many companies, often because it is assumed these highly successful people are more than capable of organising their own transition. Rarely is this the case. Carefully planning a 3rd act is much harder than many time-poor senior executives realise.

Successful 3rd act planning needs organisational support if the company wants to feature in the executive’s future plans.

Typical barriers to 3rd act planning

Few companies have found a solution to this problem despite the strong business case to retain older executives. More concerning is that many companies sweep the issue under the corporate carpet.

It is not just a prudent risk-management exercise for leaders to ensure an exodus of senior talent does not cripple the company; organisations should value loyal people and care for them.

Often, the biggest roadblock to 3rd act planning starts with the senior executives themselves. Many of them feel that talking about or declaring an interest in 3rd act planning is a sign of weakness or that they have lost commitment. They worry what their peers, bosses and successors might think and that control of their career may be taken away from them or their transition hastened – out!

We often find senior executives understand the need for 3rd act planning at a company level but are reluctant to talk about what it means for them personally. Some senior executives are so used to worrying about other people and issues they forget about themselves. If they will not engage in 3rd act planning how can they expect their sub-ordinates to?

Another barrier to action is the absence of skills and resource

THE BENEFITS OF GOOD 3RD ACT PLANNING

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| <ul style="list-style-type: none"> ● For companies: ● Increased engagement and productivity ● More effective succession planning ● Minimise exposure to loss of critical skills and experience ● Demonstration of loyalty | <ul style="list-style-type: none"> – irrespective of outcome of 3rd act planning ● Demonstration of organisation's commitment to diversity ● Retention of knowledge and corporate history ● Ability to attract talent from a | <ul style="list-style-type: none"> significant “new” pool ● For executives: ● A legitimate basis for a discussion about their transition plans ● Minimise uncertainty, stress and disappointment that often | <ul style="list-style-type: none"> accompanies retirement (or its contemplation) ● Continued financial resources ● Greater work / life balance ● Social interaction and mental stimulation ● Fulfilling and rewarding third stage |
|--|--|---|--|



needed for a company to solve a problem that requires a paradigm shift in thinking. All too often, the issue of retaining senior talent is led by the human resources department. There is nothing wrong with that - HR departments have a vital role to play in developing policy, flexible work practices, training and other strategies to retain senior talent.

Indeed, HR departments have done much to implement policies for flexible work practices and benefits in recent years. However, more work is needed to increase awareness of the issue, develop innovative solutions and lift the consistency of policy implementation to engage and retain senior talent.

The real onus is on our leaders - boards and CEOs - to ensure executives are thinking about the issue, encouraging their direct reports to do the same and supporting HR directors to implement solutions. The benefits for those organisations that demonstrate support for senior executives in 3rd act planning are significant.

Benefits of 3rd act planning

Many companies talk about executive transition, but currently only the selfless and the brave put significant resources into helping their people plan for a 3rd act that might change their role to pursue a broader range of professional and personal interests, or lead to a different, full-time professional role.

These farsighted companies know that helping their senior talent prepare for their 3rd act can create enormous goodwill. They understand that organisational renewal is only possible if they give their most important staff the tools for renewal at a personal level.

More importantly, they know it is the right thing to do. A demonstration of real values – and real leadership – helps these companies stand out from the crowd. They become an employer of choice for other senior executives and their own.

A “win-win” situation often emerges when companies get this issue right. By helping executives plan for life inside or outside the company, or a combination, they usually retain them either in a full or part-time capacity for longer.

We have seen one executive after another revitalised by the prospect of planning their 3rd act and the creation of new career options. And we have seen companies harness this refreshed talent, not only to safeguard against the skills shortage and talent war, but to grow the business in new ways and strengthen their reputation by creating a bigger pool of high-quality talent to participate in projects.

3rd act planning can be an enlightening experience. Executives can look at professional problems and opportunities through a different lens and find new confidence and energy by applying their skills and experience to new roles that are valued by their business.

Their positive mood and stronger goodwill towards their employer permeates the organisation. When more executives experience the 3rd act planning process, an internal epidemic can be created as the message quickly spreads that executive talent is valued highly, even when they are moving towards or are in their 3rd act.

This can be a liberating stage of an executive’s life – when they can leverage the confidence that comes from greater financial security and self-awareness to achieve their professional and personal goals in work and the community.

Conclusion

At face value, the problem of 3rd act planning might look light compared to the many seemingly heavier issues weighing on executive shoulders. But make no mistake: the impending movement of senior executive talent will alter the landscape of corporate Australia and create new winners and losers. Real leadership and new solutions are needed for this complex issue at corporate and personal levels.

The only rule we have about 3rd act planning is: there are no rules. Every person is different. Every 3rd act is different. There is no cookie-cutter approach or textbook model for executives to define and plan their 3rd act. There is no set time when the process should start – or finish.

Smart companies and senior executives understand the value that can come from a mutual commitment to 3rd act planning – and that an executive’s future can be as bright as their past, whatever their age.

About act3

act3 is a pioneer in the field of 3rd act planning for executives and companies. act3 was established by some of Australia’s leading business advisers to help:

- Organisations retain and engage one of their most valuable resources – senior talent
- Business leaders define and realise the full potential of their 3rd act – a “portfolio lifestyle” of professional and personal activity to achieve life and career on their own terms.

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