Availability of Talent & Shifting Work Expectations

Presented at National NAIOP Conference
October 2005
By Al Marco, Principal Trovato Group

Today, there is a burgeoning talent crisis within the real estate industry that promises to **get worse, not better, over the next 10 years**," says Christopher Lee, president and CEO of CEL & Associates Inc., a Los Angeles-based consulting firm.

A lot of it has to do with **demographics.** In the near future, there will be 15% fewer Americans in the 35 to 45 year-old range than there are now. At the same time, the U.S. economy is likely to grow at a rate of 3% to 4% per year. The demand for bright, talented 35 to 45 year-olds will increase by approximately 25%, and the supply will be going down by 15%. That sets the stage for an absence of talent.

The **real estate industry is dominated by an aging group of baby boomers** who have the potential to create an even bigger shortage when they retire.

The ratios of working population to **dependent population** (defined as those below 15 and above 65) are changing all over the world.

Demographic forces, including the aging population and younger workers' **shifting expectations for "work**," are dramatically reshaping the workforce. Employers will have to **work much harder to retain** and optimize their existing permanent professional employees, and develop innovative ways to attract and retain new talent.

According to a yearlong study conducted by a team from McKinsey & Co. - a study involving 77 companies and almost 6,000 managers and executives - **the most important corporate resource over the next 20 years will be talent**: smart, sophisticated businesspeople that are technologically literate, globally astute, and operationally agile. And even as the demand for talent goes up, the supply of it will be going down.

How prepared is your Company to compete for talent?

Seventy-five percent of executives surveyed said that their companies either **don't have enough talent sometimes or are chronically short of talent.** In addition, only 10% to 20% "indicated that their Company makes improving its talent pool one of its top three priorities.

Companies most at risk are reluctant to promote people early on, to recruit in different ways, to take action to move their average players to the sidelines and their best players to the forefront.

Companies most likely to succeed are the ones that spend the most energy on attracting, developing, and retaining talent - the companies that are the most restless, the most dissatisfied, the most nervous, and the most paranoid. So, as the competition for talent

intensifies, the gap between companies that are talent strong versus talent constrained will probably get wider and wider.

What to do?

Jim Collins states in his book "Good to Great", **you begin with getting the best professionals** and develop them into the best team in the industry. In addition, great companies get the best out of their people.

Develop a **staffing plan** that addresses your short and long term need for talent based upon your assessment of existing talent and business plans.

Review your internal recruiting process and determine the strengths and weaknesses of your process and your staff. **Understand that active and passive candidates have different behaviors thus requiring different recruiting processes.**

Ensure that the recruiting and interviewing of candidates gives **equal importance and emphasis** on assessing the candidate's behavioral attributes in addition to technical competency.

Who are the "right people"?

For many companies **people are the prime source of competitive advantage**. Talented people, in the right kind of culture, have better ideas, execute those ideas better - and even develop other people better. As Larry Bossidy, the CEO of AlliedSignal told us, "At the end of the day, we bet on people, not strategies."

In determining and selecting who to have on your team all indications are that the alignment with personal technical competency, attributes and goals with the need of the organization is essential both recruitment and retention of .

❖ Personal Attributes

❖ Professional Expertise

❖ Professional Goals

❖ Cultural Continuity

Caution, acquiring random talent that does not fit can be detrimental and potentially counterproductive to your organization. There is evidence that suggests teams can outperform groups of more talented individuals and that people can perform above or below their natural abilities depending on the situation, including the leadership they receive and the help they get from others in their immediate environment. This is where assessment of staff and planning becomes essential.

A Real Estate Staffing Model

What should corporations do today to insure they have the talent they'll need for tomorrow? Key management challenges include anticipating workforce changes, attracting and retaining young workers, reengaging and retaining mid-career workers, retaining and leveraging mature workers, implementing flexible work arrangements, implementing flexible learning, and implementing flexible compensation and benefits.

The staffing categories below present a planning approach that draws a relationship to real estate industry activities.

- ❖ Ground-up Development
  - o This is the design-build or build-to-suit approach of hiring early career to mid-career professionals to train and develop skills and abilities for both current and future needs.

- ❖ Renovation - Rehabilitation - Repositioning
  - o This is the development of new skills and knowledge of existing staff to position them to perform new or expanded responsibilities in the future.
  - o Career progression and promotion, horizontal versus vertical career growth.

- ❖ Acquisition
  - o The sourcing and hiring of outside talent to fill immediate and long-term responsibilities where the bench strength does not exist internally.

- ❖ Disposition
  - o The separation from staff that are non-performers or cultural misfits.

- ❖ Portfolio – Core Asset Management
  - o Employee retention

Challenges of Staff Retention

A recent industry survey by FLP Advisory Group among the best-managed companies reveals how the specific organizations have improved employee retention:

- 67% increased employee communication;
- 55% offered additional career development;
- 44% expanded employee recognition programs;
- 24% offered additional compensation plans;
- 21% provided executive coaching;

• 21% introduced flexible staffing options;
• 6%   changed promotional criteria.

According to the recently released annual MetLife Employee Benefits Trend Study, **recruiting and retention have emerged as top concerns for employers in 2006** with nearly one-quarter (22%) of all employees changing jobs over the past eighteen months and 74% of businesses expecting competition for talent to escalate over the next 18 months.

In this increasingly competitive job market, employees report that their top consideration when deciding **whether to join and/or remain with an employer** is "the quality of coworker and/or customer relationships," cited by 58% of employees overall and 62% of women. Young Baby Boomers age 41-50 (61%) and pre-retirees age 61-69 (67%) are most likely to cite relationships as a deciding factor. Among all age groups, the opportunity for work/life balance was cited as the second most important recruitment/retention criterion. More than half (56%) of today's employees rate work/life balance as a key job selection criterion, with a roughly equal percentage of men (56%) and women (58%) listing "balance" as critical.

Rounding out the top three **criteria for recruitment/retention** is "working for an organization whose purpose/mission I agree with," cited by more than half (54%) of the employees surveyed. At a time when employees are looking to create greater balance between the physical demands of work and life, many are also seeking an inner sense of balance between personal ideals and employer mission.

The survey found that **traditional job selection criteria** including "the opportunity for financial growth and advancement" (cited by 52% of employees), and "the opportunity for skill building and professional growth" (cited by 51% of employees) ranked as least important by the 2005-06 survey respondents.

This shift in what employees value and seek in a job puts demands on employers to create a **work environment that reflects their employees' life-stage needs and values**. To retain top talent in today's competitive job market, employers need to understand what motivates and inspires loyalty among experienced high performers. The key to the executive washroom and other perks of yesteryear just don't cut it today. The opportunity to work for a company that fosters strong workplace relationships and inspires a sense of balance and/or purpose attracts top talent today.

The ongoing retention problem suggests that **money itself is not the answer**. In fact, Accenture's research indicates that companies can improve retention rates and improve employee performance by making it easier for workers to find new opportunities within an organization, and by developing the skills and knowledge of all talent, regardless of their position in the company.

It seems that many **companies resist making changes** to the traditional work environment and ways of fulfilling job responsibilities even at the expense of losing valued

employees and/or missing out on acquiring exceptional talent. The progressive companies don't seem to be reluctant to try new approaches if it results in the retention or acquisition of talented professionals.

For example, leading companies in the area of talent retention are:

- Using an **inclusive approach** to firm-wide strategy development by involving employees in company decision-making processes. In fact, 60 percent of executives who described their companies as "leaders" in change said they use such an inclusive strategy-development method.
- Moving to **project-oriented approaches**, in which all employees can work on diverse, limited-term assignments, rather than being sequestered within a single department or function.
- Developing **"talent exchanges,"** which connect employees and other resources with appropriate projects, roles and positions across the company.
- Instituting **"real-time" goal setting**, performance measurement, and skills-development programs to ensure that people always know where they stand and to address performance issues and skills gaps before they become a problem.
- Embracing a wide range of **emerging information technologies** - including personalized employee Web portals, business simulation, and relearning - to increase the efficiency and effectiveness of their training and development efforts.

The survey also projects **rapid workplace changes** will or have already occurred that companies we need to consider in attracting and retaining staff. Things like:

- Say **goodbye to nine-to-five**. The explosion of cheap, fast telecommunications, including wireless smart phones and PCs will let us work from anywhere and at any time. The biggest challenge will be managing the digital divides between work and family life.
- Highly skilled employees will find themselves in the driver's seat. As the growth of the labor markets slows dramatically when the baby boom generation begins to retire, the **best employees will be wooed furiously**, not just with money but with benefits designed to improve their quality of life.
- The prototypical white **male workforce is in retreat**. The new face of the workforce includes not only women and African Americans but large numbers of Hispanics and Asians, as well as older Americans.
- From the early pioneers to today's .com billionaires, Americans have celebrated the culture of rugged individualism. But in the web driven information age, **teamwork will become highly valued**. At all levels, good communication and negotiation skills will be critical to success.
- Neither the workday nor the workweek will begin or **end at fixed times**. As more people have control over their work schedule, they may decide to take Tuesdays and Thursdays off to avoid lines on the golf course, but work Saturdays and Sundays instead. Working is becoming increasingly untethered from time and place.

- The workplace will not be defined by a street address but by a web of coworkers (some within companies, others free agents) connected to computers. We will see the rise of the **virtual organization**—loose federations of individuals with complementary skills who team together.