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Baby Boomer Staying Power

The New Empty Nest

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The popular phrase empty nest is taking on a new meaning these days in the corporate world. As more and more seasoned executives who were born in the baby boom years retire, they vacate challenging positions that will be difficult to fill. Failure to plan ahead for succession in these key positions will bring about daunting voids in both talent and skill sets. Thus, this new “empty nest” will expose corporate weaknesses that can have serious long-term ramifications. Simply stated, the retiring baby boomers will leave behind a lifetime of productivity but take with them a wealth of experience that the Gen X and Gen Y executives will have difficulty replacing. This is not just an American phenomenon. Experts from Scotland to Australia are attempting to cope with this brain drain before situations become dire.

As the leading edge of this wave will reach age 62 next year, retirement for the first of this post WWII generation, born between 1946 and 1964, is now counted in days. In fact, every hour 330 Americans turn 60 years of age. Nurtured by the conservative traditions of the 1950s, many of these 77 million became the stalwarts of corporate America building the strong economy that we have today. With this continuing growth economy there will be a need to support expansion with qualified executives as well as replace new retirees. The combination of these two factors will only exacerbate the shortfall. We are already beginning to see the difficulties in replacing executives with the qualities that it takes to “hit-the-ground-running.” For instance, within the next five years it is predicted that the defense industry will be particularly hard hit with 68,000 engineers headed for retirement and less than half of these positions expected to be filled.

Automotive manufacturers and their suppliers is another industry that has been hard hit in the executive talent area. Faced with corporate acquisitions, mergers, layoffs and restructuring many key executives have accepted generous packages offered through buyout programs. These highly publicized industry woes are only compounding the difficulties in attracting executive talent. In order to attract qualified replacements some companies are taking steps to improve the bonus initiatives and overall compensation package. Yet in more than one instance automotive companies have had “tied hands” due to the watchful eye of a bankruptcy judge. Other companies are plagued by rumors of foreign mergers and acquisi-

tions. Even with sizeable monetary incentives, with an industry in such turmoil it is difficult to convince executive talent to sign on. After all, who wants to join a sinking ship in American industry?

Challenges such as these are not just within the purview of “old rust-belt” industries as more “glitz and glamorous” industries are concerned about the lack of available future executive talent as well. Currently, Hollywood is in dire need of executives who understand the billion dollar Latino entertainment market. This short-age of qualified candidates ready to step into decision making roles has resulted from a failure to groom new hires so that they may rise to executive levels from entry level positions. This potential issue in the entertainment segment has been projected for years and though the revenue continues to rise exponentially, Hollywood has been caught blind-sided for experienced executive talent.

Meanwhile on the other coast, the retail and distribution industries are in the same predicament for ostensibly the same reason. For the past ten years, one retailer after another eliminated their department store training programs which provided well-rounded managerial experience. Now, with so many middle managers retiring, there are far fewer candidates in the pipeline ready to rise to the next level.

What does this gap between executive supply and demand mean? Recruitment and retention that promotes innovative thinking should be foremost on the agenda of top management everywhere. One such example of thinking outside-the-box is a corporate office that matches less experienced managers with seasoned stakeholders in order to groom and transfer knowledge more quickly. Moreover, some businesses are calling back retired executives for consulting roles that provide flexibility for both.

Developing twenty years of experience can not be done instantly and executives truly seasoned in your business takes years to mature. It is clear that as Fortune 500 management retires, a vast storehouse of knowledge and business acumen is lost. It is therefore imperative to evaluate how empty your work nest will be in the next few years and take actions now to prepare your business for the future.