



THE TIDE HAS TURNED: THE WAR FOR TALENT RETURNS

A TURNINGPOINT TALENT REPORT



Executive Hiring Summary

– San Diego, Orange County and Los Angeles

By almost every account, the job market has returned to growth mode. The signs are all around us: unemployment stands at 5.5%, up from 5.4% in April due in part to people reentering the labor market; the U6 rate which measures the number of unemployed, part-time workers and those that consider themselves underemployed is down to 10.8%, from a reading of 12.1% just 12 months earlier. Additionally, the number of monthly "quits" - a barometer of professionals that have voluntarily left their job, presumably for another position – was up by 11 % between April 2014 and April 2015.

At the same time, profitability across privately held, tech and non-tech businesses has been expanding on a consistent basis, empowering CEOs with a level of confidence not seen since 2006. In fact, while earnings are expected to decline over 4% in the S&P year over year, private companies' sales have grown 9.2% year over year, the fastest pace since 2012.

Net profit margins among private companies are at their highest level in five years, hitting nearly 9% YTD, compared to 6% in the comparable period last year!

With this return to growth mode, CEOs and hiring managers have accelerated their hiring. The economy added 280,000 jobs in May and an average of 217,000 jobs/month year to date, while the number of job openings hit an all-time high in April, dating back to 2000 when tracking first began. This increase in demand is also evident within the executive recruiting industry, where 2014 marked a record year for North American and global revenues, hitting \$11.7b. On a micro level, our firm is in the middle of its 3rd consecutive record year, on track to more than double our revenues since 2013, and similar trends are evident among our peers. Consistent with past hiring trends following a recession, it is the private, more agile firms that are responsible for the majority of this growth (private companies are responsible for 65% of new job creation).

77% of the world's former winners of the EY Entrepreneur of the Year award expect to increase their workforce this year while only 29% of large global, public and private companies plan to increase their staff

- EY 2015 Global Job Creation and Youth Entrepreneurship Survey and the EY Annual Capital Confidence Barometer Survey

Yet, even with this seemingly undisputable upward trend in hiring, and candidates' greater receptivity to changing jobs, many employers have resisted making the necessary adjustments to their hiring process. During recessionary periods, companies are rewarded for their patience and willingness to diligently sift through hundreds of resumes to identify the few candidates that are qualified for their open positions. It is during these years that companies

"93% of CEOs say they need to change their talent acquisition and employee retention strategies, but 61% don't know where to start"

- PwC's 17th Annual Global CEO Survey

are in the driver's seat, weighing a myriad of hiring options, expecting to get 100% of their candidate "wish list" and saving money thanks to falling or stagnant wages. However, as the job market heats up, the pendulum swinging in favor of candidates once again, these "best practices" become limitations, preventing hiring managers from making successful, timely hires.

With the war for talent re-emerging - particularly in functions such as software development, engineering, IT, science and analytics –

businesses must now emphasize their employee brand, opportunities for career advancement, and the adherence to a "values based" mission that connects their employees with the greater good. While "A Players" and skilled professionals have the confidence and drive to change jobs more regularly, they will only do so when their values, business philosophy and career aspirations are aligned with their potential new employer.

It's Time to Step Up

Not surprisingly, over the last eight years, many organizations have grown accustomed to selecting from a wide array of eager, flexible, active and qualified professionals from within their industry. While these candidates still exist, they are much more difficult to find, they are weighing multiple options and their salary expectations have increased significantly. Year over year, our average time to complete a search – i.e. fill an open position - has increased by 11% and nationally, the average length of an interview process has increased to 27.3 working days, up from 13 in 2010 (DIH-DFH Mean Vacancy Duration Measure). Moreover, over the past nine months, 73% of our clients have extended an offer at the high end or above their initial target salary.

TurningPoint Executive Search | Target Salary vs. Offers Made
(Q4 2014 through Q2 2015)

Title	Industry	Initial Target Range	Salary & Bonus
National Sales	Professional Services	\$70k-\$80k	\$85k
Director of Marketing	Construction Services	\$90k-\$100k	\$110k
Purchasing Manager	Consumer Goods	\$75k-\$100k	\$110k
OEM Sales Manager	Automobile Manufacturing	\$80k-\$100k	\$115k
Division Manager	Construction Services	\$110k-\$135k	\$135k
National Sales Director	Food Manufacturing	\$125k-\$160k	\$172k
VP Sales & Marketing	Software	\$150k-\$200k	\$200k
SVP Sales & Marketing	Technology Services	\$175k-\$220k	\$225k

While this increase is just beginning to show up in the national data - average hourly earnings are up 2.3% year over year according to the Bureau of Labor Statistics – our data shows skilled, degreed professionals consistently receive an average increase in base salary of 15%-25% when changing jobs. New grads in software development, IT, engineering and science are fetching starting salaries of \$52k-\$64k, according to NACE. Here in SoCal, early career sales and marketing professionals with 1-2 years of experience are now earning between \$55k and \$70k, and according to a recent analysis of Intuit’s Online Payroll customers , average hourly wages at small businesses – those will fewer than 20 employees - are up by more than 9% since 2012.

Fortunately, today's candidates are looking for more than just a bigger paycheck. Survey after survey illustrates this point by showcasing the

Top 5 reasons people leave jobs

Lack of Flexibility, Excessive Overtime, Minimal Wage Growth, Limited Advancement Opportunities, Management Style

reasons employees leave their job for another position - and compensation is rarely #1 on the list.

While compensation is certainly one piece of the puzzle, companies possess the ability to increase their hiring and retention rates, without having to write a blank check. However, this improvement will only occur within organizations willing to initiate a conversation with their employees about their career goals and expectations. Over the next two quarters, every CEO, VP, Director and Manager should commit to identifying the key factors attracting employees to their company, along with what compels them to stay. While this will require time, planning and focus, the result can be game-changing.

So what's a Company to do?

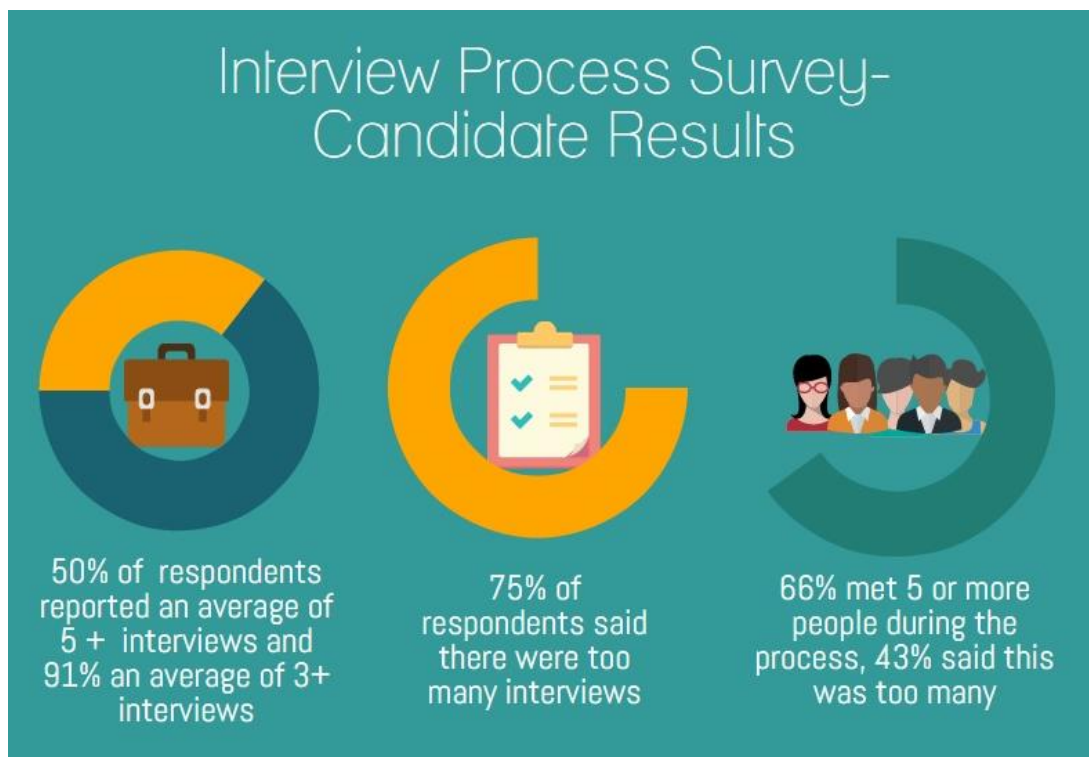
There are 10 steps every company should take today, in order to increase their rate of accepted offers, retention and employee engagement.

Step 1 - Identify your employment differentiators and unique language

“Work hard, play hard”, “We may not pay high salaries, but we are a lifestyle company”, “Roll up your sleeves and get into the weeds”, “Self-starter”, “Fluid and deadline driven” – sound familiar? Whether you are aware of it or not, your company employs a unique internal language. Most often, this is referred to as “company culture”, and can be difficult to define. However, in order to attract and hire the right people, companies need to clearly identify and communicate their distinctive internal brand.

Step 2 - Review your hiring process and survey your most successful hires

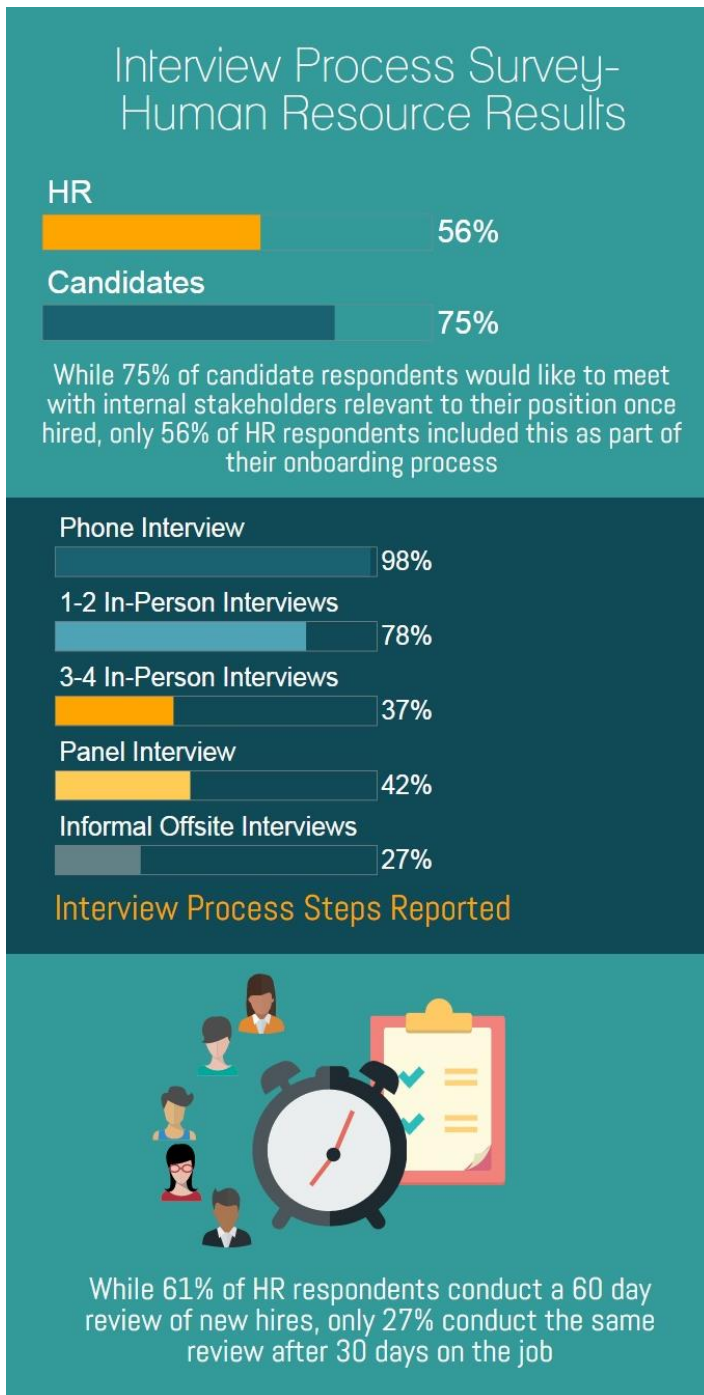
Companies analyze their marketing campaigns, track sales and identify their most productive customers. However, very few spend time reviewing the results of their hiring strategies. Take the time to analyze your top and lower performing employees, identifying their source of hire including job boards, corporate website, referrals, etc. [Johnson & Johnson](#) recently conducted an internal analysis of their hiring practices, identifying the success of their college recruiting strategies. Understanding their hiring history has allowed



them to focus on hiring people that are more apt to remain engaged, while also staying with J&J longer than their more seasoned employees, with equal or better performance.

Step 3 - Develop a "hiring map" and create an effective process

When filling vacant positions, most companies jump right into the tactics, without much thought about the strategy. Hiring managers need to work with human resources to create a customized and appropriate process to fill each position. VP and executive level candidates should not be subjected to the same process as someone working in the warehouse. Likewise, candidates should be told upfront what to expect in the hiring process, including the number of interviews, the timeline and the makeup of those interviews (e.g. panel, role play, employee shadow, etc.)



Step 4 - Provide training on effective interviewing

To ensure the right candidates are making it to the final stage of the interview process, equip your hiring managers with the tools to conduct an effective interview. Many managers are elevated to a position of leadership, tasked with building a team, without the training necessary to identify and select the right talent. Train your managers on how to ask relevant and deeper behavioral questions, rather than relying solely on their "gut feeling".

Step 5 - Institute an "ABR" strategy - Always be Recruiting

With or without an HR department, recruiting should be everyone's job. Building, maintaining and sharing your network, should be part of each job description. It is incumbent upon leadership to create a culture of connecting with great talent at all times, rather than scrambling to fill open slots in a reactive manner.

Step 6 - Establish an employee referral program

Year after year, industry surveys reveal that the longest tenured employees, and those with the quickest ramp up times, are hires that were referred by current employees. There is no better way to reduce hiring costs, boost employee morale and increase average tenure, than to initiate a referral program. Just be sure that everyone knows about the policy.

Step 7 - Create a repository of compelling, unique and engaging job specs & interviewing questions

In order to attract the best talent, job descriptions must tell a story, serving as a marketing tool that takes an employee-centric perspective. The job

spec needs to engage the prospective employee by describing what she will be able to accomplish – what the company will do for *her* - and how she will impact the overall business. The job description and interviews should be more than a description of responsibilities.

Step 8 - Conduct a salary survey and make necessary adjustments, now

While it may cost some money upfront, the job market has changed, and so have salaries. It is well worth the investment in time and money to get an updated salary benchmark of the key positions within your organization.

Step 9 - Define your metrics of success

How will you know if your newly enhanced hiring strategy is successful unless you identify your success factors? These may include an array of numbers that are easily tracked including decreasing the turnover rate, increasing the number of accepted offers, increasing your average tenure and promotions, etc.

Step 10 - Embrace the new reality!

Conclusion

It is time to take a hard look at your hiring process and salaries. As the market continues to improve, attracting talented and qualified professionals will become increasingly difficult, regardless of function. A recent survey reveals that 67 percent of CFOs indicated they have plans to hire in the next six months, representing the highest percentage in three years and 74 percent said the wages they pay their employees are on the rise (CFO Outlook Survey conducted by [Financial Executives International](#) and Baruch College's Zicklin School of Business). Similarly, according to the latest [Robert Half Technology report](#), 67 percent of CIOs intend to hire for open IT roles in the second half of the year.

The signs are there. Don't wait to change your hiring process and salary levels, or you will wind up losing key employees across the company. Create a talent pipeline, communicate with your staff and engage the market today, to make better hires tomorrow!

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