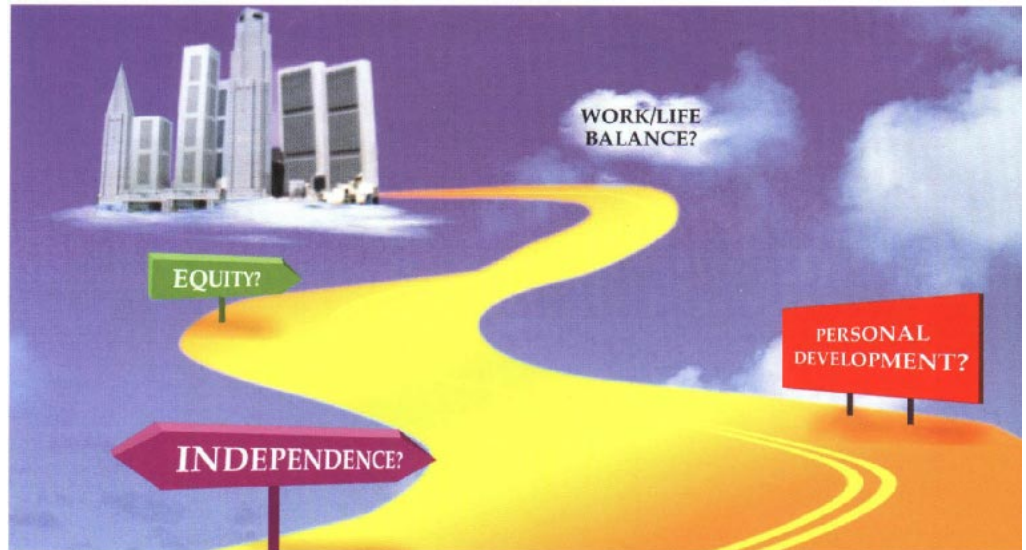# Tomorrow's Leaders Today:
Career Aspirations and Motivations

A Study Carried Out in Collaboration with London Business School

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We would like to give our sincere thanks to Maury Peiperl, Director of the Careers Research Initiative at London Business School, for his foresight in pursuing this research and for his continuing collaboration with Korn/Ferry, marked by goodwill, academic rigour and true teamwork. Also, we recognise the significant contribution made by the research team. Brandon Miller and Valentine Pierantozzi, who worked on this year's study. We also appreciate the generous collaboration of Professor Jose Luis Alvarez at the Instituto de Estudios Superiores de la Empresa in Barcelona, Peiperl's other work in this field includes the book *Career Frontiers - New Conceptions of Working Lives,* edited by Maury Peiperl, Michael Arthur, Rob Goffee and Tim Morris.

London Business School is the graduate school of business at London University. Founded in 1965, the School graduated 565 MBAs, MScs and PhDs from 57 countries in 2000. London Business School is one of the leading international business schools in the world — 80 percent of the students and 60 percent of the faculty are from outside the United Kingdom. In 1999, London Business School also served 4,000 executives on short programmes. The School ranks as the number eight business school in the world in executive education revenues. In addition, the *Financial Times* has ranked London Business School for the past two years in the premier band (top eight) of research-driven leading business schools in the world (and number one outside the United States), in its prestigious annual ranking of 75 business schools worldwide. For further information, visit www.london.edu.

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Executive Summary

The turn of the century saw a peak in the accomplishments of mankind — most particularly in the business world. New opportunities presented by technological innovation were matched by new lifestyles made possible by the Internet and the resulting shift in the balance of power between employer and employee. New ways of working and communicating did not replace the old; they merely opened our eyes to one of the most exciting possibilities of the 21st century — the chance to control our lives as never before.

The era of the individual is marked by better employment rates than in living memory in many of the major economies, and by a decreasing supply of talented executives, appropriately skilled and motivated to champion the possibilities of this new age. According to the International Labour Office in Geneva, Western Europe is expected to suffer a decline in the 35- to 44-year-old population of 26 percent by 2020.

What does this mean for the relationship between employer and employee? And how can the employer protect its human capital in today's climate? Retention has become the new touchstone for tactical conversations between chief executive and human resource director. The 1990s witnessed a dot.com. shakeout of many traditional sectors of the economy. Start-up technology companies lured high performers by providing a compelling, lucrative alternative to traditional, hierarchical management positions.

Only now are traditional employers dispelling one of the most potent myths of the Internet age — that dot.com. employees would have more fun, more freedom and more scope; in fact, a more enjoyable, less formal and restricted working life. Our study explodes the general consensus that dot.coms offer

better quality of life and a 'more fun' environment. Findings show that for e-business executives, particularly those in larger, post-IPO start-ups, the hours worked are longer, the travel is more onerous and time at home is limited. The new economy organisation, increasingly mirroring the old, but without a supportive infrastructure, began losing its shine,

Many have returned to the traditional, or dot.corp world, where opportunities abound for the best talent, Korn/Ferry's international Executive Demand Index shows that in the last three years executive demand has greatly increased, with year-on-year European demand up 19 percent at the end of 1998. The following year, demand grew 16 percent worldwide; indications are that 2000 will be equally strong. Worldwide demand in the second quarter of 2000 was up by 25 percent compared with the second quarter of 1999 — fuelled by the explosive growth of technology companies, which spurred demand to double figures in every geographic region. During the quarter, demand for senior executives in Europe's technology sector reached a record high of 20 percent of total demand across all industries.

Most importantly, the executives themselves have changed. Whether in a start-up, or an established, mature business, through years of downsizing and restructuring, employee loyalty is a thing of the past. As one young executive, who defected from a traditional consulting firm, put it on CNNfn, "I think the loyalty's gone and it's all about opportunity". Skyrocketing remuneration packages and increasingly luxurious perks have reflected the dramatic increase in, corporate demand — and the great lengths to which companies have been willing to go to in order to attract and retain well-trained young executives.

During the most heated periods, as a temporary measure, financial reward helped stem the flow. However, this could not plug the talent drain in many companies' top spots. The bright, young executives in high demand are

complex individuals who will not automatically be attracted by simple equations of higher salaries and more generous benefits. Their personal desires and aspirations have been as central to the talent war as the motivations of the companies in combat. Organisations are under such pressure that they are having to enter the fight before they know what they are fighting for. In order to arm companies effectively, we must explore and define more precisely what tomorrow's leaders are looking for today.

Career Aspirations and Motivations

A company's executive talent is now regarded as its most valuable asset, the repository of vital market insight. Knowledge management today is a critical leadership issue in an era where a company's most valuable competitive advantage — knowledge — could literally walk out of the door at any time. With the shortage of executives seen as one of the top threats to business today, organisations are in danger of being held to ransom in hiring and retention efforts.

In order to understand and articulate how tomorrow's leaders are making key decisions about their careers — now and in the future — Korn/Ferry teamed-up with London Business School and colleagues at the Instituto de Estudios Superiores de la Empresa in Barcelona (IESE) for the 2000 study. This report is based on highly personal, in-depth research, carried out over six years, with 220 MBA graduates who have provided detailed professional and personal information on an annual basis for the purposes of this research. They are aged between 28 and 40, with an average age of 34; they constitute an international group; and two thirds are male. They are working across a range of sectors and hold primarily functional or divisional responsibilities.

Our study examines the career changes, preferences and aspirations of this group of high-potential executives. We explore their perspectives today on career priorities, career planning, decision-making criteria and forms of remuneration.

The Battlefield

According to the study, a look at the state of the battlefield shows a marked increase in mobility over the last three years:

- External moves have doubled, to 22 percent.

- Internal moves have risen, to 19 percent.

- Redundancy-based moves have dropped from 11 percent to 4 percent.

Of those who moved within the last three years:

- Work/life balance inspired, at peak, 18 percent of external moves.

- Work/life balance inspired 5 percent of internal moves — a first, in 1999.

- In 1997, 8 percent left to start their own business.

- In 1999, 16 percent left to start their own business.

What lies behind these decisions and can we establish a train of thought among this high-potential group?

The Quest for Independence

Out of the 14 decision-making criteria respondents were asked to list in order of importance, the top three priorities in choosing a new position are:

1. Being able to contribute something important in the role — the ability to make a difference: nearly half, 48 percent, rate this essential, and 79 percent rate it essential or very important.

2. Being challenged and stretched in the role: over a third, 36 percent, rate this essential, and 71 percent rate it essential or very important

3. Being fully empowered to make decisions about how to carry out work; 31 percent rate this essential, and 71 percent essential or very important.

This empowerment creates a picture of independence, personal achievement and satisfaction.

Findings show that the work/life balance is clearly an issue today. Over the last few years, it has been within the top four reasons for leaving an employer, and in 1999 was identified for the first time as the reason for making an internal move. New career trajectories chosen by members of the group in order to achieve a better work/life balance can be identified and fall into four areas: self-employment; downshifting in terms of level; a self-imposed career ceiling; and starting over — primarily choosing a lower-level position in a new industry.

Analysing relationships among these decision-making criteria reveals that today's high-performing executives are most influenced by the quest for two forms of independence;

— Independence at work: control over their own projects, the freedom to schedule and prioritise their own work — and to be rewarded accordingly; and

— Independence from work: a better balance of work and private life, less. attachment to the office location and more time for themselves,

With this 'going it alone' mentality, personal development becomes highly important. Respondents show a clear desire to be in charge of themselves and responsible for their own work, developing their skills and experience in the process. The fifth priority is that the organisation would "actively invest in my development". This thirst for development inspired 20 percent of external and 16 percent of internal moves among respondents who changed job in 1999.

As an executive at Deloitte Touche Tohmatsu says, "There's a paradox around retention, which is that you get to keep your best people by preparing them to leave you. The more that you invest in your people in terms of their own development, the less likely they are to leave."

The Lure of e-Business

This year's study sought to identify whether or not there were any differentiating traits among those executives who had moved into e-business-positions. Findings show an even stronger bias towards the desire for challenge, personal development and equity among this group of respondents. Despite the demise of some high-profile dot.coms and the crash in Internet stocks in the second quarter of 2000, the attractions of e-business opportunities hold firm. Above all, they are quenching the thirst for independence, matching exactly the aspirations of the total group of respondents — making a contribution, being stretched and being fully empowered.

Respondents working in e-business roles show a much greater desire for equity than those either not in e-business roles, or those who have never changed jobs during the course of the six-year study. However, the promise of equity is not shown to be as strong as it has perhaps been believed to be; only 13 percent of the total group rate equity as essential and just over a quarter rate it as very important. For those not involved in e-business, cash bonuses are more important — going hand in hand with individual pay for performance.

Personal development plays a prominent role in e-business respondents' career assessment. In fact, involvement in e-business is typically motivated by a drive for development, with 40 percent of such job moves made specifically to learn more and develop new skills, compared with 14 percent of those not involved in e-business.

More than half of the e-business respondents, 57 percent, rate their current role as "clearly the most developmental job I have had", compared with 42 percent of those not involved in e-business.

The challenge for employers, therefore, is that today's work ethos has changed entirely from being company-facing to market-facing:

■ High-potential employees seek development in terms of their future market potential, not company potential.

■ They want to be entrepreneurs — interacting with the market — not bureaucrats finding their way around an organisation.

■ They want training and developmental input from an external perspective, not from a mentor who will speak only from an internal viewpoint.

The employer needs to act like a parent — preparing its employees for the day they will leave — either through their own volition, or because of corporate change or external forces. Above all, tomorrow's leaders want and need independence — they do not want to be made dependent on an organisation that can no longer offer them any guarantees.

Recruiting and Retention in the New Economy

Based on both the research findings and day-to-day search experience, below are some strategic and tactical recommendations for recruiting and retaining top talent.

1. Focus on the challenge offered by the role and the specific contribution each individual can make.

2. Create new development opportunities — the more you invest in people the less likely they are to leave.

3. The HR function is potentially a competitive differentiator — maximise its potential as a contributor to the company's success, particularly for executive development,

4. Young executives are choosing the dot.com environment to make a difference and to develop new skills through growing a young business — try to replicate these 'at home'.

5. Since e-business has changed the rules of the game with regard to equity, both emotionally and financially, consider equity for a broader range of levels.

6. Consider one-to-one personal coaching, rather than traditional group training.

7. Consider corporate 'repatriation' — stay in touch with departing employees; once they have learned something new, they may come back.

8. Consider non-financial rewards for recognition, such as personal achievement awards, promotion and industry announcements.

9. Respect the work/life balance and value employees' non-work lives. A work/life balance will benefit the organisation and its employees in terms of recruitment and retention-based productivity.

10. Retention at all costs is not necessarily the best strategy. Stay in touch with leavers and turn them into advocates, clients and business partners.
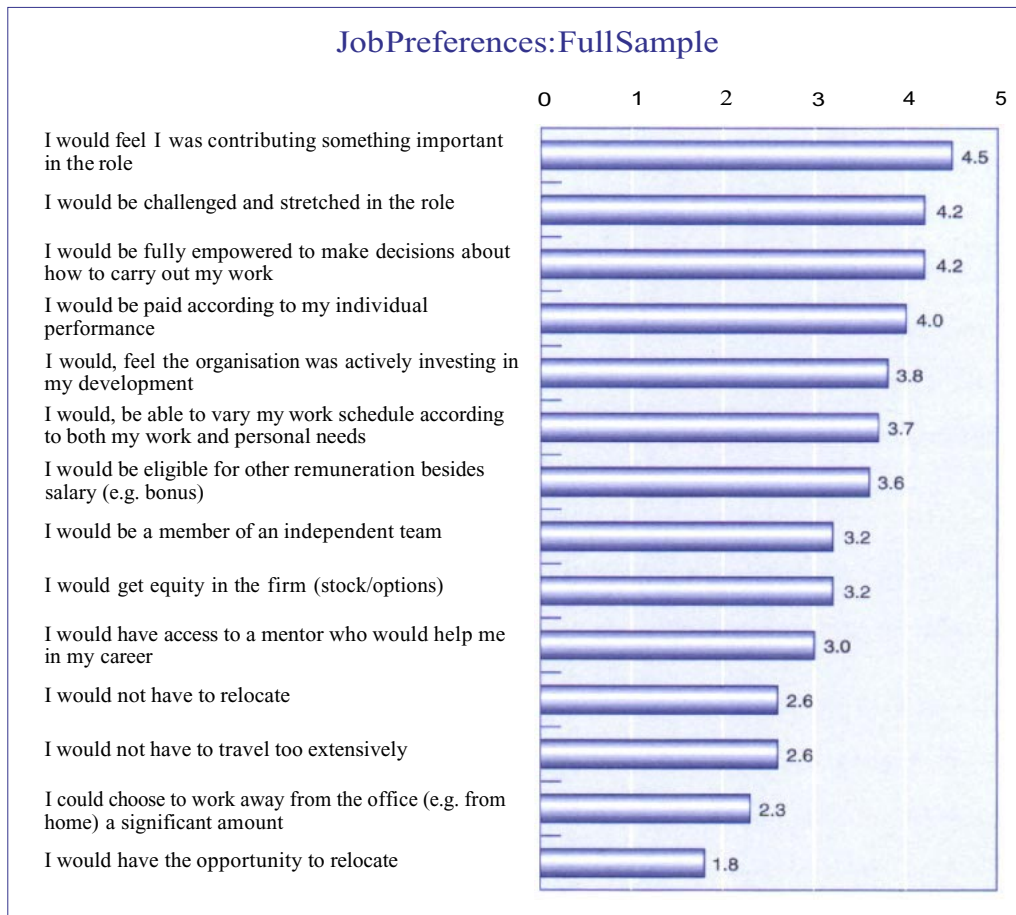
Chapter One

Independence *at* Work

Independence *at* work is the key motivating factor for today's high, achievers, according to the study. This is articulated in the top three priority decision-making criteria, listed by the total group. Respondents were asked to rank 14 criteria in choosing a new role, on a scale of one to five, with one meaning not important and five meaning essential. Priorities were identified and explored in relation to each other *(see Figure 1)*.

The top priority is "being able to contribute something important in the role", with nearly half, 48 percent, rating this essential and 79 percent rating it essential or very important.

The next two priorities run closely together. "Being challenged and stretched in the role", with over a third, 36 percent, rating this essential, and 71 percent rating it essential or very important; and "being fully empowered to make decisions about how to carry out work" is rated as essential by 31 percent, and essential or very important by 71 percent.

The preference is clearly for non-quantitative ways of being rewarded. Monetary reward is mentioned in the top six priorities only in terms of individual pay for performance, the fourth priority, with 22 percent rating it essential and 62 percent rating it essential or very important. The seventh priority is "being eligible for non-salary remuneration" meaning bonus, with equity covered separately.

Figure 1 — Decision-Making Criteria

JobPreferences:FullSample

Criterion	Rating
I would feel I was contributing something important in the role	4.5
I would be challenged and stretched in the role	4.2
I would be fully empowered to make decisions about how to carry out my work	4.2
I would be paid according to my individual performance	4.0
I would, feel the organisation was actively investing in my development	3.8
I would, be able to vary my work schedule according to both my work and personal needs	3.7
I would be eligible for other remuneration besides salary (e.g. bonus)	3.6
I would be a member of an independent team	3.2
I would get equity in the firm (stock/options)	3.2
I would have access to a mentor who would help me in my career	3.0
I would not have to relocate	2.6
I would not have to travel too extensively	2.6
I could choose to work away from the office (e.g. from home) a significant amount	2.3
I would have the opportunity to relocate	1.8

All these factors characterise the executives' desire for independence at work, almost to the extent of taking the role of an independent contractor — through working free from constraints and by receiving individualised, tangible rewards for their efforts. These executives want to be valued. They also want to feel that they are adding to their future value in terms of their development. Respondents overwhelmingly agree that it is up to them to manage their own careers, rating this four-and-a-half on a scale of one to five. They want their employers to put them in positions from where they can do this, looking for the company to help lay the foundation for their own self-development.

The top priorities of tomorrow's leaders combine to form a strong focus on independence at work:

- I would feel I was contributing something important in the role;

- I would feel challenged and stretched in the role;

- I would be fully empowered to make decisions about how to carry out my work;

- I would be paid according to individual performance;

- I would feel the organisation was actively investing in my development;* and

- I would be eligible for other remuneration besides salary (e.g., bonus).

*Primarily through on the job learning

Respondents express a universally high desire for this independence at work. The values of this composite were consistent across all subsets, lacking any significant difference between, for example, those involved in e-business and those in more traditional industries, or between those who have changed jobs and those who have not.

Escaping Hierarchies

Full empowerment is a priority reaching across a much broader range of levels and ages than ever before. Executives want to show what they are capable of and expect to be rewarded accordingly. An item perhaps obvious in its omission is status. Nowhere is status identified by this group of high achievers. Gone are the days when an executive's goal was to make it to the top of his or her profession. While team empowerment continues to replace traditional hierarchies, job titles become less status-oriented and therefore less important. The value of status has changed into an interactive, meritocratic concept: recognition. More people than ever before have opaque job titles with

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indecipherable meanings In the overall context of organisational structure. The focus now is purely on content and recognition. As one study respondent explains, "The hierarchy is unimportant relative to my remuneration".

Another respondent indicates he receives his primary satisfaction from the fact that his performance is easily measured, from the autonomy he feels in his job, and because he has contact with high-ranking industry executives despite his seemingly low position in the traditional hierarchy. His autonomy matches the survey participants' third most important factor in choosing a job: empowerment — being able to decide for oneself how to carry out one's work.

This valuing of non-hierarchical structures is echoed in many respondents' replies. For example, one wants to work for himself, in a small firm, away from bureaucracy and politics. Harvard Business School professor Jeffrey L. Bradach explains, "Many organisations undervalue the talent they have. They move employees lock-step through promotion and pay structures and prevent them from making more than their bosses — even if they're contributing more. For some people, leaving the company is the best way to get their true market value."

In the context of independence at work, the respondents' desire to feel that they are contributing to the success of the company reflects a need to know that individual efforts matter and a need to see results from work put in. This recognition of effort is matched by tangible acknowledgement of effort, with pay according to individual performance and non-salary remuneration, such as bonuses, typically determined uniquely for each individual. Individual pay-for-performance is rated essential by just over one-fifth of the respondents, and 40 percent believe it to be important, making it the fourth priority in career decision-making.

Above all, these young executives want to be entrepreneurs interacting with the market, not bureaucrats finding their way around the company. On a scale ranging from one, for never or almost never true, to five, for always or almost always true, they rate "I like to be told precisely what to do in my work as a manager" at 1.2. Independence at Work describes, therefore, a two-pronged desire:

First, for the freedom to perform jobs as these talented and capable executives see fit — to control their working situations; and

Second, for the company to commend and encourage those efforts with multiple forms of reward, both tangible — salary, bonuses and advancement — and intangible — recognition, development and support for their interaction with their industry.

Chapter Two
Independence *from* Work

I ndependence *from* work is articulated by respondents primarily in the ability to schedule work according to personal needs, During the last three years, analysed year-on-year, at a peak in 1999, 18 percent of respondents left their organisation in order to achieve a better work/life balance. In 1999, this need for balance inspired internal moves for the first time, for 5 percent of respondents.

The composite independence from work included other factors:

- I would not have to relocate;

- I would not have to travel too extensively; and

- I would be able to work away from the office (i.e., from home) a significant amount.

Findings show that the respondents consider where they do their work relatively unimportant — itself an unexpected finding. All these factors are rated the least important criteria in the survey. A resistance to relocate, however, did rank more highly than a desire to relocate, indicating that respondents show some resistance against moving — a concern particularly for multinational companies. Respondents rank choosing to work away from the office — primarily working from home — to a significant degree as the second least important factor in choosing a job, revealing that telecommuting, for all its supposed magic, is not of great importance to this group of executives.

One respondent describes a perspective that links the freedom to make her own schedule with freedom from the physical office. She admits that her day is quite

flexible at work, but she still has to be in the office from eight until six every work day. Some days she would rather work from 10am to 10pm, or work at home. She worries that she will not be able to have a family as a result of this rigidity. It even motivated her to change jobs last year, when she explained that her goal is to take her skills to a more flexible organisation. The hours worked were not a problem for her: the time spent working is fine, but she would like it to be more flexible — from home one day per week, for example. She thus rates the ability to organise a work schedule around both professional and private needs as essential in choosing a new job — and acted accordingly.

Maintaining a Work/Life Balance

Independence from work emphasises the importance placed by respondents on tailoring their work lives to their personal lives — not the other way around. Respondents clearly seek a division between these two spheres.

An interpretation of the full set of responses shows that there already exists a separation between work life and home life: there is no statistically significant relationship between personal and professional satisfaction levels. Whether or not respondents feel satisfied with their careers is a separate issue from whether they are satisfied with family life or their quality of life in general, indicating that the two spheres are seen as independent.

Neither the current job's income level nor its developmental level — two professional satisfaction issues — affect *personal* satisfaction to any degree of statistical significance. In fact, no work factors predict personal satisfaction positively. Conversely, the number of working hours per week and the number of nights spent away on business per month have a negative impact on personal satisfaction. This means that the less these managers work — in terms of hours spent on the job and business trips away from home and family — the more satisfied they are with their personal lives.

Theorists have long recommended that businesses acknowledge the work/life conflict. Nearly two decades ago they foresaw a time when dual-career families would become more common, non-work values would become more central, and more young people would attach less importance to a stable and secure career. More recently, scholars have described the multiple communities of commitment in which everyone — executives included — can be involved. According to D. T. Hall and J. Richter in the *Academy of Management Executive,* the company community is only one of 10 communities that influence executives' career decisions, alongside non-professional groups such as family, regional and ideological communities. Hall and Richter recommend that employers themselves acknowledge and even value employees' non-work lives.

New Career Trajectories

The United Kingdom's National Work-Life Forum produced a report on the subject of work/life balance in 2000. According to the committee's chair, "Work-life balance is central to our future economic and social well-being. A lack of balance is creating a vicious circle-with hugely damaging effects on the quality of our personal, working and community lives, and our relationships."

One way that our respondents deal with this vicious circle is to alter their career path. Many respondents explicitly name preserving or re-establishing a work/life balance as a reason for changing jobs. During the last three years, up to 18 percent of external moves were made specifically for the sake of personal relationships or quality of life, as were 5 percent of internal moves.

We see some specific new career trajectories chosen by those who desire greater flexibility in their schedules to accommodate and value their personal lives.

Self-Employment: Among consultants, in particular, a high number have left hierarchical corporate organisations to start their own business, often as a loose affiliation of independent contractors. One respondent had been promoted yearly in her job but felt rushed and desired more time both for herself and for a social, peer network. She left the company in 1998 to find a better life balance, and, more specifically, to start a path towards what she wanted to do with her life — how she wanted to contribute to society. She and her husband became full partners in a new consultancy, and she found that she could fulfil her deepest values rather than, society's pressures. In 1999, she was still in that position as a self-employed consultant, working 30 hours per week — one-third less than the number worked in 1997, her last year with the large corporation. She appreciates the flexibility that working for herself brings, the time she is able to spend with her children, and her new-found control over her work schedule, despite a one-third cut in pay.

Downshifting: One of the buzzwords of the discussion surrounding work/life balance is 'downshifting'. A survey of accountants, published by *Accounting Web 2000,* reveals that 6 percent of respondents expect to downshift to a new job to work less, and another 6 percent expect to spend less time at work in the year 2000. One young manager in our survey described his move to a new firm from a post as principal in a large global company as motivated by a change in career aspirations. He wrote, "I do *not* want to be in a job that prevents me attending the children's school and social functions. Levels and functions are not important. Developing people, challenging and growing them are important to me... I have definitely forsaken financial opportunity for what I view as balance. There is no turning back."

Career Celling: An option pursued as a move to pre-empt — rather than respond to — a work/life conflict is a self-imposed career ceiling. One respondent recalled being promoted to managing consultant in 1997, but wanting to spend more time at home and have more time and energy for herself and friends/partner. A year later, she still felt that many elements and the lifestyle of her job were very stress-inducing. She wanted a more settled lifestyle and less travel, feeling that work has taken up too much of her life over the past few years. In 1999, she began working for a former client company and had decided to rise no higher than her current position as vice president.

If she wanted to rise in the hierarchy, she felt she would have to make too many sacrifices in her personal life. Even those imposing a career ceiling, however, still reserve the option of self-employment, with one respondent articulating great determination: "If I could not achieve the progression of life balance that I want, I would probably leave for a smaller company or form my own consulting business in partnership with a good friend".

Starting Again: A fourth option pursued to help balance work and life is making a new start — choosing a lower position in a new industry or moving to another country for a new beginning. A managing director of a consulting association, working over 70 hours per week, decided to move to his wife's home country of Brazil, to a job in a new industry — as yet undefined. He ranked three factors as essential — having the opportunity to relocate; being able to vary his work schedule according to both work and personal needs; and being fully empowered to make decisions about how to carry out his work.

One year earlier, however, he had rated himself as extremely satisfied with his career, yet still decided to move. This shows the suddenness with which a work/life conflict can create a massive alteration in career paths. He matches the profile of someone looking for independence from work, primarily because

his most significant source of satisfaction is his private life. "I have an excellent relationship with my wife, although there is limited time available. This is the ultimate reason behind my next career move, aimed at establishing a better balance between private and professional lives."

Corporate Aid for Work/Life Balance

In each of these cases the executive made a decision about the career path chosen. But companies have made attempts at moderating the rift between employees' personal and professional lives, too. They have primarily taken the form of work/life amenities.

A study of U.S. employers, carried out by D. Fandray, published in *Workforce,* finds:

■ Ninety percent offer some kind of child-care assistance;

■ Forty-seven percent offer care programmes for the elderly;

■ Seventy-four percent offer flexible scheduling; and

■ Fifty-two percent offer onsite amenities such as concierge services.

In the United Kingdom, 22 companies have joined together to make official their commitment to work/life issues. The organisation, Employers for Work-Life Balance, counts Unilever, the BBC and PricewaterhouseCoopers as members, each of which has endorsed a set of principles. These include stating that each company:

■ Recognises that effective practices to promote work/life balance will benefit the organisation and its employees;

■ Acknowledges that individuals at all stages of their lives work best when they are able to achieve an appropriate balance between work and other aspects of their lives;

- Highlights the employers' and the employees' joint responsibility to discuss workable solutions and encourages a partnership between individuals and their line managers;

- Develops appropriate policies and practical responses that meet the specific needs of the organisation and its employees;

- Communicates its commitment to work/life strategies to its employees; and

- Demonstrates leadership from the top of the organisation and encourages managers to lead by example.

In comparison to this Anglo-American trend, a 1997 study carried out by Valerie Frazee, published in *Workforce,* shows that Europeans view work/family issues as the concern of a broader group of social partners — including employers, governments, trade unions and families — than in the United States, where responsibility for helping employees attain balance is left primarily to companies.

In the United States, companies provide employees with formal flexibility; in Europe — especially on the Continent — legislation and cultural norms take most of the initiative, states Michael Verespej in *Industry Week.*

Frazee's study also finds companies more apt to establish family-friendly policies in countries with high levels of public benefits and notes differences in perspective between northern and southern Europe.

Regardless of companies' acknowledgement of the importance of a work/life balance, research by Fandray indicates that the real benefit of work/life programmes and flexibility does not lie directly in productivity, but in recruitment and retention.

Chapter Three

Development and Training

The career development potential of young executives' positions is one of the most reliable predictors of their professional satisfaction. Development is even more significant than income — the only other factor that reliably predicts professional satisfaction. In our study, respondents were asked to appraise the developmental level of their current role relative to other roles held. The more developmental they rate their role — from "As far as I can tell, I'm not developing in this job" to "Clearly the single most developmental job I've ever had" — the higher they rate their professional satisfaction. This indicates that engagement in a job that develops new skills is the most certain way to become a satisfied employee.

Desire for a more developmental or challenging position was cited as the motivation for 20 percent of external and 16 percent of internal moves in 1999. Another 6 percent left their employer because they felt that they had reached a dead end in their career. Three criteria in the study evaluate the relationship between development and job choice. They are:

- I would be challenged and stretched in the role (priority 2);

- I would feel the organisation was actively investing in my development (priority 5); and

- I would have access to a mentor who would help in my career (priority 10).

The first two are clear priorities, with 71 percent rating the challenge essential or very important. However, executives do not seem to value having a mentor. Despite the fact that 44 percent of respondents have a mentor within their organisation, access to a mentor ranks low in importance when considering a new role, falling below the all-factor average importance score. Rather, personal

development through individual coaching is seen, as highly valuable, suggesting that in keeping with the quest for independence, respondents are looking for an external perspective relating to the market in their development, rather than a mentor who may focus more on internal bureaucracy and politics.

Thirst for Development

Our study shows that the thirst for development inspired 20 percent of external and 16 percent of internal moves among respondents who moved job in 1999. A roundtable discussion on www.chiefexecutive.net emphasises that the mobility of young professionals stems from a drive for development.

According to the discussion, "What the younger generation wants out of work life today is the opportunity to become more employable — to enhance their capabilities. They've given up on the idea that any single employer is going to be there for life, so they want to know that at the end of this job or this assignment, they will be ahead of the game versus where they would have been otherwise. We have some surveys that suggest the top things people look at are 'How meaningful is the work I'm doing? How much is it enhancing my skill set? How much is it preparing me to move up — maybe not just within this company but within the workplace in general?' If that isn't recognised and done, they'll leave in a heartbeat. If it is being done, then they keep deferring the decision to leave. They'll stay around because things are happening here and they're better off here than they might be in a lot of other places."

Several respondents' stories emphasise the fact that they would leave a job if they did not feel they were developing in their current position. This matches survey findings by M. Olesen on 'What Makes Employees Stay' in *Training and Development,* showing career development as the most important factor in retention. It finds that young executives are saying, "Teach me the things that will keep me employed here".

As a result, their motivation is tied to education and growth opportunities — training and human capital competence are the leverage. The survey also found that voluntary staff turnover more than triples for employees who are not receiving the training they desire.

In our study, one systems manager writes that he changed companies "To give me more opportunity in my career, allow me to manage a team and increase my learning opportunities. It has been very good for me." He also reports that he finds the new position much more fulfilling. He links career opportunity directly with learning opportunity and with the new experience of leading a team. This results in both development and career fulfilment — echoing the correlation between developmental level and satisfaction.

This is reinforced by research carried out by Korn/Ferry International with the University of Southern California's Marshall School of Business on *The Knowledge Economy.* Findings show that in order to retain employees in a constantly evolving business environment, companies need to share the skills and expertise that managers will need to be successful in the company as it keeps pace with change. The study identifies key strategies for creating a new psychological contract that will motivate employees and increase their commitment to the organisation:
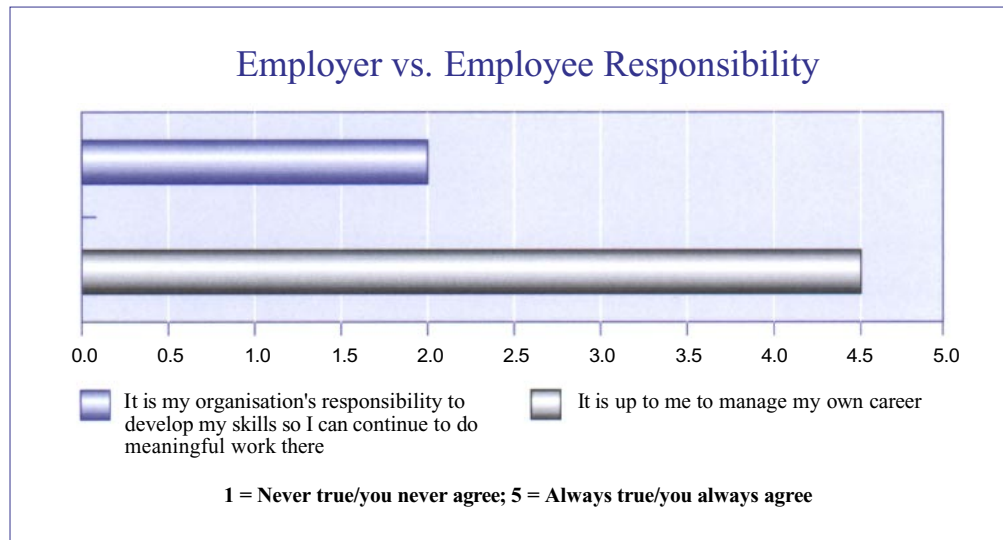
- Make sure employees understand the company's strategy for the future. Employees want to work for a company that will be a leader in its industry and that will continue to provide interesting work.

- Share the skills that will be needed in the future and work with employees to help them gain these new competencies so they feel they have more of a stake in the company's success.

- Adopt a broad view of training and development, including visits to customers, suppliers and partner companies. Employees find this type of development more stimulating and helpful than structured on-the-job training,

- Tie reward policies closely to the business performance of the team or organisation. Allowing the majority of employees to share in the wealth they create has a positive impact on retention in the large companies that were studied, as well as start-ups where this practice is more common.

There is always a certain degree of risk in changing employer, and lack of due diligence on the part of the executive may lead to a job change with no increase in satisfaction. However, sitting it out and waiting for a change in the status quo is not always a solution either. Findings from *Tomorrow's Leaders Today* over the last few years shows that there is no correlation between the number of job changes over a career and the developmental level of the current job. This indicates that neither a high degree of mobility nor a strong attachment to a single job guarantees finding a highly developmental position. The message here seems to be that destiny is very much in the hands of the individual. If a highly developmental role is not already created and on offer, it behoves the managers themselves to be proactive in pursuing initiatives, challenges and projects that will increase their development and satisfaction.

When it comes to the bigger picture, this personal initiative and independence is very much in play. Respondents overwhelmingly agree with the statement "It is up to me to manage my own career", rating it four-and-a-half out of five. Professional search consultants recommend selecting employees who are continuous learners, and theorists London and Smither in *Human Resource Management* recommend paying employees for developing and mastering new skills rather than for the value of the job performed.

Figure 2 — Career Self-Management

Employer vs. Employee Responsibility

It is my organisation's responsibility to develop my skills so I can continue to do meaningful work there

It is up to me to manage my own career

1 = Never true/you never agree; 5 = Always true/you always agree

The study shows that respondents who feel it is up to them to manage their own careers, are more likely to emphasise the importance of challenge in choosing a job, highlighting the self-motivated nature of young executive development *(see Figure 2)*. Not coincidentally, they are also less likely to agree that "It is my organisation's responsibility to develop my skills so I can continue to do meaningful work there", with an average agreement rating of only two out of five. It is, nevertheless, still important to the respondents that they feel the organisation is actively investing in their development, ranking it sixth out of the 14 factors in choosing a role. The respondents have high demands for advancement, both in terms of promotion within the firm and development of their careers.

Companies and Career Development

Retention and development programmes range from proactive to reactive activities on the part of the company. Reactive activities — placing the impetus in the hands of the employee — are particularly effective.

Network computing company Sun Microsystems has created a Career Services department that provides employees with career counselling built around the concept of having employees take primary ownership of their career direction, with support from the organisation.

It has offered ongoing career management assistance, helping employees to write resumes, identify strengths and weaknesses, and define aspirations. To aid in retention, the company has attempted to channel employee growth within the company. Career Services is therefore designed to help employees make well-informed career choices and match their aspirations to opportunities within Sun.

The effectiveness of the programme is high. Voluntary staff turnover decreased to a rate of below 10 percent between 1996 and 1998, while the industry-wide figure for the period is 15 percent. In addition, the highest use of the service by age group was by their youngest executives — those most vulnerable from an attrition perspective.

An executive at Deloitte Touche Tohmatsu explains this phenomenon: "There's a paradox around retention, which is that you actually get to keep your best people by preparing them to leave you. The more that you invest in your people in terms of their own development, the less likely they are to leave. Knowledge workers in particular thrive on the ability not only to do good work but to learn new things constantly. They expect that we, as an employer, will provide them with new knowledge, and if they don't get it from us, they'll go someplace else where they believe they can get it."

Additionally, some opinion formers such as M. W. McCall recommend that employee development be integrated into business strategy. Managers should be rewarded not only for today's results, but also for cultivating the executives

who will create results in the future. In filling positions within the company, McCall advises managers to choose someone who would benefit most from the development opportunity — not just someone who is the most qualified. In this respect, leaders should view their human resource departments as equal contributors to the success of the company, arranging rich, developmental experiences for future company leaders — if not explicit training regimes.
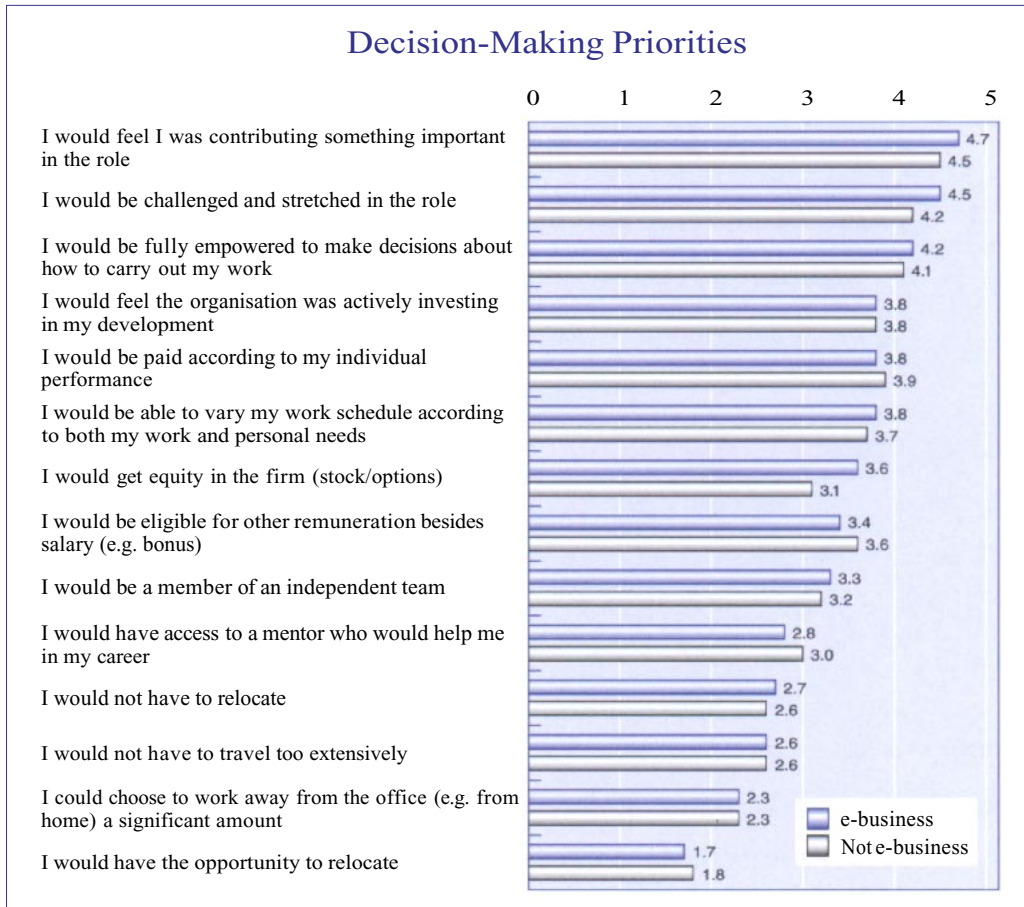
Chapter Four

The Lure of e-Business

This year's survey includes detailed career choice questions relating to e-business opportunities and the impact of the new economy. In our 2000 survey, 12 percent of the respondents are in a primarily e-business position. Over half, 57 percent, of these are involved in e-retailing or e-services — industries that arose with the Internet. The remaining 43 percent are involved with 'old economy' positions that have been re-geared to the Internet.

Findings show an even stronger bias towards challenge, development and equity among those who moved to e-business roles over the last year. We have seen that the third most common reason that executives left their organisation in the last year was to start their own business. Whilst we must recognise that this year's data was gathered after the dot.com peak, and before the demise of some high-profile dot.coms and the sharp fall in Internet stocks in the second quarter of 2000, the attraction of moving into the field of e-business holds firm. The opportunities offered quench the thirst for independence — and will continue to do so as more and more bricks & mortar companies set up e-business subsidiaries *(see Figure* 3).

Figure 3 — Job Preferences and e-Business

Decision-Making Priorities

Priority	e-business	Not e-business
I would feel I was contributing something important in the role	4.7	4.5
I would be challenged and stretched in the role	4.5	4.2
I would be fully empowered to make decisions about how to carry out my work	4.2	4.1
I would feel the organisation was actively investing in my development	3.8	3.8
I would be paid according to my individual performance	3.8	3.9
I would be able to vary my work schedule according to both my work and personal needs	3.8	3.7
I would get equity in the firm (stock/options)	3.6	3.1
I would be eligible for other remuneration besides salary (e.g. bonus)	3.4	3.6
I would be a member of an independent team	3.3	3.2
I would have access to a mentor who would help me in my career	2.8	3.0
I would not have to relocate	2.7	2.6
I would not have to travel too extensively	2.6	2.6
I could choose to work away from the office (e.g. from home) a significant amount	2.3	2.3
I would have the opportunity to relocate	1.7	1.8

It is clear from the study that e-business has taken on a messianic note in these executives' minds — a Promised Land of opportunity. After the peak at the turn of the century, one participant, a senior analyst for an e-business finance firm, wrote passionately about a desire to start his own Internet-related business: "I have agreed with my wife that as soon as I have enough credibility and outside support (i.e., capital, partners, etc.), I will leave my company to start my own. The primary reason: instead of feeling as though I am a prisoner (in terms of time and corporate politics) to a company that controls me, I could become the controller and lead. The sacrifice, of course, is security but I am 100 percent willing. I don't want to wake up 20 years from now and say I should have done it."

Sentiments such as these have been echoed by a significant number of respondents. Harvard Business School has tracked this trend's appearance in the job choices of its MBA graduates, as covered in the World Economic Forum's *Worldlink* magazine. Harvard found that 20 percent of their MBAs entered technology fields in 1999, up from 8 percent in 1995, In fact, technology-related employment was the second most popular destination for the HBS class of 1999, second only to management consulting. For the first time, technology had edged out investment banking.

e-Development

This year's survey shows that the lure of e-business matches exactly the aspirations of our group — the opportunity to make a significant contribution, to be stretched and challenged and to be fully empowered in carrying out their work.

For the e-business group, being challenged and stretched in a new role is of even greater importance than for the respondents not involved in e-business, indicating the motivational power of opportunities for development. Findings show that getting involved in e-business in the first place is typically motivated by a drive for development, with 40 percent of e-business respondents' job moves in 1999 made in order to learn more, to use or develop new skills, or to pursue a challenge. This compares to only 14 percent of those not involved in e-business. Between 1997 and 1999, the number of executives leaving to start their own businesses leapt from 8 percent to 16 percent *(see Figure* 4).

Figure 4 — External Moves to Start-Ups

% External Moves into Start-Ups
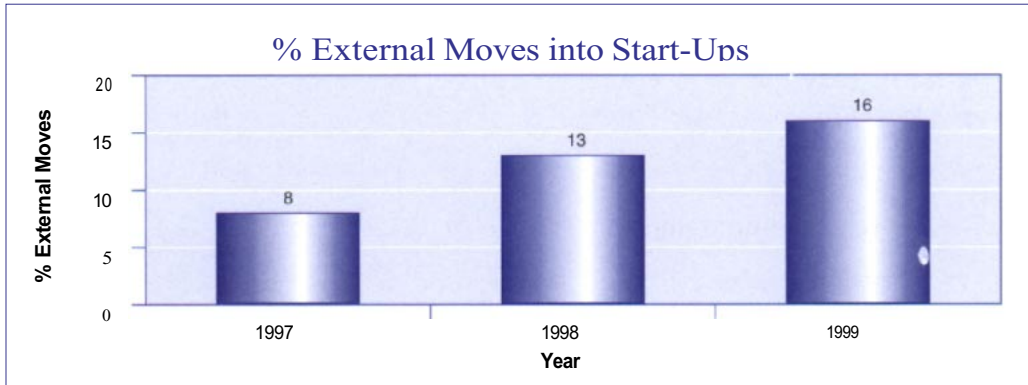
(All respondents)

Development also played the most prominent role in e-business respondents' own career assessment. Over half, 57 percent, describe their current position as "clearly the single most developmental job I've had" compared to 42 percent of those not involved in e-business.

The Lure of Equity

A clear attraction is also the desire for equity, and for this high-risk group, the promise of independence is worth the risk of equity, as opposed to cash bonuses. Respondents in e-business roles rate the importance of a cash bonus below the group average, although for all other respondents it is more important than receiving equity.

The importance of equity serves as a barometer for the different sets of respondents in the group, allowing us to measure all respondents who changed jobs in 1999 and respondents who moved into e-business against those who have not changed jobs in the last six years. With Internet start-ups luring executives away from bricks & mortar companies, we find that those attracted by equity were more likely to change jobs in 1999. The group for whom equity is most important, of course, is the group of executives who moved into e-business *(see Figure 5)*.

Figure 5 — Lure of Equity

Importance Rating of Getting Equity in the Firm
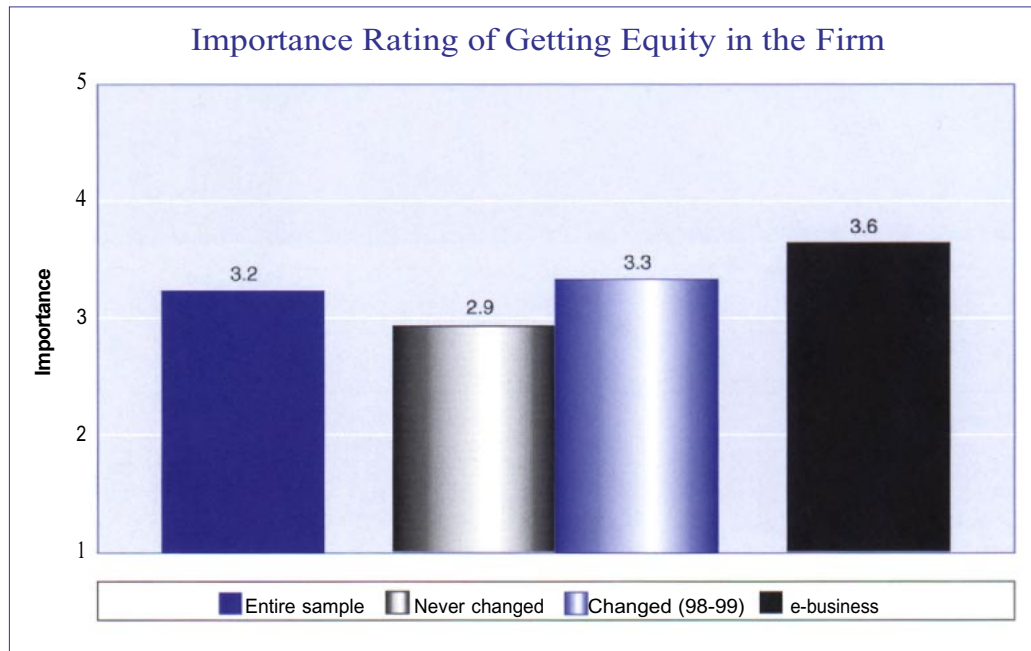
However, the lure of equity is not shown to be the main attractive element that it was believed to be or portrayed to be in the media. Only 13 percent of the total respondents rate equity as essential and just over a quarter rate it as very important in making a career move.

e-Executive Profiles

What type of executive is most likely to move from the old economy — and who will be the e-Tzar within a bricks & mortar, or clicks & mortar employer? Using the relationship between independence and reward or remuneration, we can distinguish four distinct types: the leader, the engager, the retiree and the work/life balancer *(see Figure 6)*.

Figure 6 — e-Executive Profiles

Remuneration/ Reward *Independence*	Financial Reward	Emotional Reward
Independence **At Work**	Leader	Engager
Independence	Retiree	Work/Life Balancer

The leader is motivated by independence *at* work and *financial reward* — the demand for independence manifests itself as a desire for a controlling role in the company, having high aspirations within a corporation.

The engager is motivated by independence *at* work and *emotional reward,* appreciating the accelerated pace of learning, the gaining of new experiences and a good, affordable lifestyle. These types often leave to start their own consultancy with friends and former colleagues to experience the challenges and rewards of an unstructured environment where they are free to act as they choose. They are driven by a need for freedom and flexibility to do what they believe is right, to set their own hours, be responsible for others and achieve satisfaction in what they do for a living. They are different from the Leader in that the end goal is not so much financial growth, but emotional fulfilment.

The Retiree is motivated by independence *from* work and *financial reward,* often starting his or her own company through previous frustration with the level of stimulation in the traditional environment. The overall motivation, however, is to find independence *from* work, rather than controlling the style of work or the impact it would have. The retiree's goals are financial, with ultimate aspirations to retire in a few years with equity. The retiree tends to enter e-business

start-ups for financial independence. Equity does not represent a sense of ownership or engagement — rather the potential to sever ties and achieve total independence from work.

The Work/Life Balancer is motivated by independence *from* work and *emotional reward.* Characteristic of a desire for independence from work, if able, they tend to subject their work schedule to their personal needs. They start their own business as a way of gaining independence from work, so that working and private lives can be kept separate. The emotional investment in their private lives and family requires a career that enables them to balance work life and home life — a balance these respondents say e-business provides.

However, choosing a role that will fit personal and professional priorities is just as difficult in e-space as it is in the 'old economy'. Moving into an e-business role is not a panacea for achieving professional satisfaction and a good work/life balance. This is confirmed by findings showing that the e-business respondents did not have a higher degree of personal or professional satisfaction.

An e-business role does not offer a reprieve from long working hours, with 48 percent of respondents working 60 or more hours per week, compared to 38 percent of other respondents. Furthermore, 40 percent spend 10 or more nights away from home on business each month, compared to 16 percent of those not involved in e-business. These respondents also show a greater tendency to move into self-employment, with 20 percent opting to set up their own businesses, compared to 4 percent of non e-business respondents.

Chapter Five

The Bricks & Mortar Response

A number of bricks & mortar companies have found innovative, strategic solutions in the battle to retain talent:

- Setting up e-subsidiaries to keep good ideas and top talent in house;

- Setting up a means by which employees can take equity in Internet start-ups without betting their career on it;

- Sharing the spoils of office with younger executives — giving them developmental roles and a financial stake in the business;

- Setting up e-subsidiaries and allowing them autonomy and freedom while still being linked to the parent company; and

- Rethinking the offer of equity.

e-Subsidiaries

The impact of the Internet has not just encouraged people to look for external opportunities, it has also motivated internal moves. In 1999, 16 percent of job changes within companies were motivated by an employee's desire for development or challenge. Among these are the opportunities for development offered by the e-subsidiaries of traditional firms. To retain, develop and attract talent — as well as to capitalise on the profits of e-business — traditional companies have gained significant momentum in their e-subsidiaries. For example, GM created e-GM, an Internet business division designed to take the company online. In a press release, GM described the programme as a boon for employees — it is "designed to give employees the stability of a traditional firm with the versatile workspace and entrepreneurial energy of an Internet company".

Taking Equity in Start-Ups

Accenture (at the time Andersen Consulting) has created its own venture capital unit, AC Ventures, to manage e-business funds and offer an e-subsidiary to retain employees. Andersen also instituted a US$200 million programme of what it calls 'eUnits' — managed by AC Ventures — as a way of providing its employees with the chance to acquire start-up equity, according to M. Stone in *Newsbytes.* On the company website, the firm described "this major new initiative" as "designed to reward high performance and loyalty to the firm with a unique form of compensation that harnesses the value of the electronic economy". The company offers both "loyalty awards" for employees with three or more years' service, and "performance awards" — "based on a combination of factors including an individual's performance, level and business organisation". Thus it uses its equity programme in the war for talent both directly — by rewarding loyalty — and indirectly — by creating a reward culture where employees receive both non-salary remuneration and are paid for individual performance, two important factors in the job choices of our respondents.

Sharing the Spoils of Office

Additionally, Andersen has begun to address employees' desire for advancement and recognition by creating more space in the firm's partnership. Not only will it provide these new partners with equity, but, as stated on the company website, careers pages, "Whether you're an established business leader or just starting out, you'll have the opportunity to advance and be recognised for your contributions through promotions... We have recently expanded the partnership, allowing more people to own and become a core part of the leadership of the firm. For truly great performers with entrepreneurial potential, the opportunity to enter the firm's partnership may now occur earlier in their careers."

Independent e-Subsidiaries

A number of bricks & mortar companies have now set up an independent e-subsidiary, which, with their own names, staff and premises, still benefit from the resources and support of the established company. For example, in 1999 Korn/Ferry launched Futurestep.com — its online, middle management recruitment consultancy that marries the speed and reach of the Internet with traditional executive search expertise.

Equity Spread

Many companies have taken up the e-business promise of equity, The American grocery chain Walgreen Company began to award stock options to almost all of its 110,000 employees, from cashiers to executives. The options are meant to reward loyalty to the firm, with the number granted based on an employee's tenure with the company.

Since the 2000 stock market 'correction', as many analysts have called it, traditional companies have benefited by learning from others' mistakes from a remote, secure base — and are now stepping up momentum to maximise the opportunities of the Internet in increasingly sophisticated ways. The head of investment banking at Morgan Stanley Dean Witter in Europe said, "Now that the tech music has changed, many young people starting their careers are going to be less inclined to play musical chairs".

It is true that the importance of equity is the primary distinguishing factor between those who have changed jobs in the last two years and those who remain in the same job since beginning the survey. But desire for equity blurs the battle lines between technology firms and the more traditional industries of consulting and finance. The importance of equity is shown to be high for all job-changers, though it is highest for those involved in e-business. These businesses also answer employees' key needs for independence at and from work.
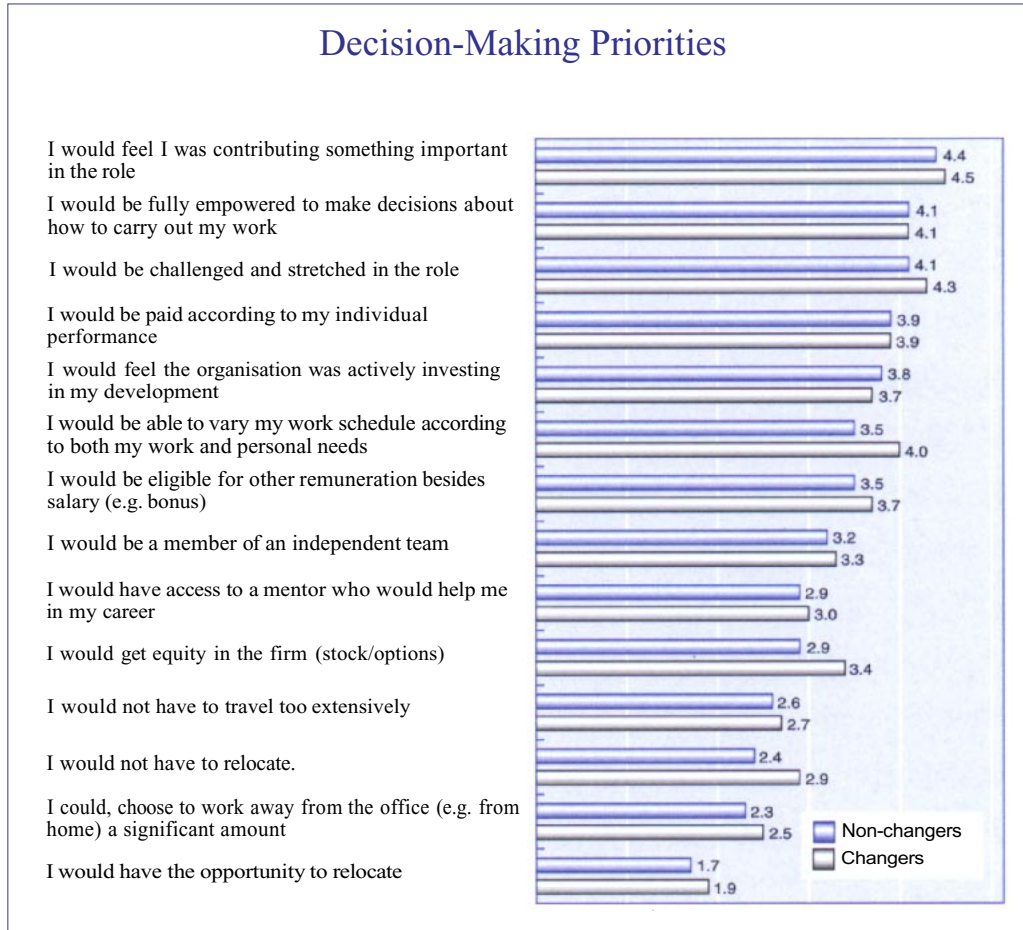
Chapter Six

Mobility

Both employers and employees acknowledge that we now live in a world dominated by a lack of employee loyalty — and much press attention has been focused on the consequent mobility of executives. However, findings show that much of this is, in fact, hype. Almost half of the respondents in this survey, 49 percent, have remained with the same employer over the entire course of the research — up to six years. Based on the number of job changes in each year of the survey, the entire sample population is predicted to change jobs once every five years. According to our analysis, job-changers, as a specific group, would be expected to change jobs once every three years.

However, mobility has increased, for the group as a whole, since 1997. The likelihood of a move is shown to depend largely on the lapse of time since MBA graduation, with 70 percent of the youngest class, which graduated in 1996, changing jobs at least once, compared to 52 percent of those who graduated in 1995.

Internal Moves

Respondents who have not changed roles since graduating from business school show several significant differences in the importance they place on certain factors in choosing a new job *(see Figure* 7*)*.

Figure 7 — Job Preferences and Job Change

Decision-Making Priorities

Statement	Non-changers	Changers
I would feel I was contributing something important in the role	4.4	4.5
I would be fully empowered to make decisions about how to carry out my work	4.1	4.1
I would be challenged and stretched in the role	4.1	4.3
I would be paid according to my individual performance	3.9	3.9
I would feel the organisation was actively investing in my development	3.8	3.7
I would be able to vary my work schedule according to both my work and personal needs	3.5	4.0
I would be eligible for other remuneration besides salary (e.g. bonus)	3.5	3.7
I would be a member of an independent team	3.2	3.3
I would have access to a mentor who would help me in my career	2.9	3.0
I would get equity in the firm (stock/options)	2.9	3.4
I would not have to travel too extensively	2.6	2.7
I would not have to relocate.	2.4	2.9
I could, choose to work away from the office (e.g. from home) a significant amount	2.3	2.5
I would have the opportunity to relocate	1.7	1.9

Non-changers show a significantly lower rating of importance for the composite variable 'independence from work', with a much lower focus on being able to vary their work schedule according to professional and personal needs. Non-changers also rate holding equity in the firm as much less important, possibly because longer tenure has enabled them to work their way up in their companies and have greater access to equity options.

Reasons for Staying

The common factor among those remaining with an employer is regular recognition by the company in different forms. According to our study, most non-changers receive high salary increases, move departments and are given greater management responsibility. What distinguishes those who are most satisfied with their careers is being given independence at work. Below are profiles of three non-changers and the factors that motivated them to stay.

Independence/Entrepreneurship: A classic example of success is a respondent from a leading international investment banking firm who has remained with the company during all six years of the study. Each year, he has consistently judged himself satisfied with his career to date. In the first year, he received satisfaction from being busy all the time in interesting projects. One year later, although he sought more time for a social life, he did not waver in his career satisfaction. He received a big promotion in 1998, entailing increased responsibility and more than tripling his salary. He most appreciated the impact that he could make on his work. In 1999, he found satisfaction in a great degree of independence and encouragement from senior management, which he clarifies as effectively being able to run his job as a 'micro-business'. His ultimate aspirations remain in investment banking as managing director of a leading institution. Like most respondents, he exhibits a high degree of independence at work, but unlike many of them, he does not need to change jobs in order to find it. Rather, by remaining with his employer, he is able to rise to a position that offers that valued quality.

Development/Challenge: Another respondent has worked for a global consulting firm since the beginning of the study in 1994, when he was as a consultant on a salary of £50,000/DM165,000 per year. In 1999, as a manager, he earned nearly three times that amount — a similar increase in salary to the previous example. Four years previously, he had described himself as being in the midst of getting on top of a very challenging and at times intimidating job as

a consultant. The next two years, however, he spent in Southeast Asia and took on greater management roles, an increase in responsibility and development opportunities that many of his peers changed jobs in order to find. In 1998, after being promoted to manager, he was finally feeling on top of the consulting role. He viewed his progress as part of the normal career progression in consulting. In 1999, he considered himself satisfied with his career to date. He rated "I would feel the organisation was actively investing in my development" as very important, and his record with the company indicates that this demand has been met. In the 2000 survey, he writes that he has decided to stay on at the same consultancy for at least another year. He had originally planned to have left the 'up or out' world of consulting by his fifth year out of business school for a post in industry. However, the developmental value of his career with the consultancy has resulted in his retention for the time being.

Recognition: Not all respondents who have remained in the same job over the term of the study were as satisfied as the previous two. One has rated his satisfaction level lower over the course of the six-year study, from satisfied in 1994 to somewhat dissatisfied in 1999. His yearly appraisals, however, consistently mention achievement and recognition found through his career in systems integration as sources of satisfaction. In 1995, he won the 'President's Prize' at his company and a promotion led to further satisfaction. The next year, he moved into management and described the most significant event of 1998 as speaking at two international conferences. Internal moves among divisions, regular promotions and outside recognition led at the time to a desire to stay in the company and his aim to become its chief financial officer.

Fluctuating levels of satisfaction reflect the on-going management challenge of temporary, periodic motivation through recognition. Respondents show a constant need for a combination of recognition, stimulation and growth to prevent overall satisfaction from slipping.

Survey Participants

T he six-year study was started in 1994 by the London Business School and repeated annually, with a small number of additions each year. Every respondent replied to detailed questions through mailed surveys and personal questions through follow-up interviews on a confidential basis every year.
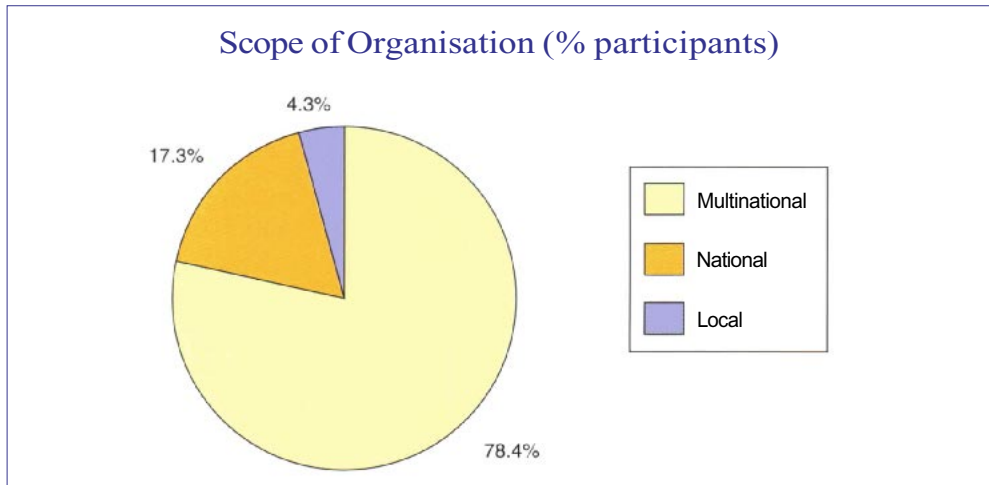
Our survey population of 220 annual respondents, including a group from IESE, corresponds to a prized and diminishing demographic:

■ They are young — between 28 and 40 — with an average age of 34;

■ They are international — coming from 30 different countries; and

■ They are well trained — holding MBAs from top European business schools.

The group is working across a range of sectors, primarily in Europe, North America and Asia/Pacific. Approximately two-thirds are male, one-third is female.

Nationality (%participants)

	%
North America	4%
Europe	7%
Asia	11%
Australia	54%
Latin America	24%
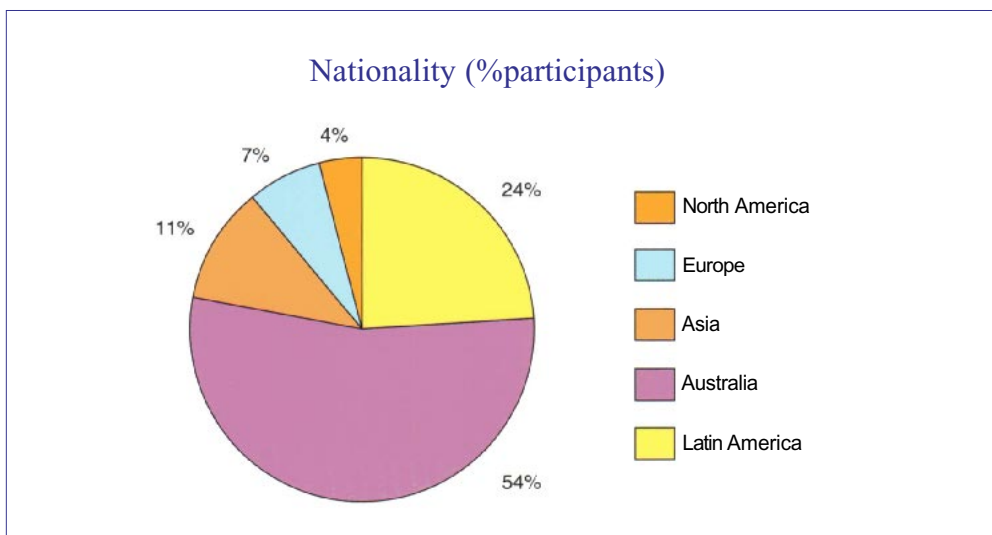
The employing organisations are primarily multinational, with some national.

Scope of Organisation (% participants)

In the 2000 survey the e-business dimension was included in a number of general and specific questions. Those involved in e-business roles make up 12 percent of the respondents, working primarily in e- and Internet services, e-retail, e-business consulting and media/communications.

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