



CHRONICLE

Dedicated to bringing interesting leadership trends to senior executives focused on integrity and values.

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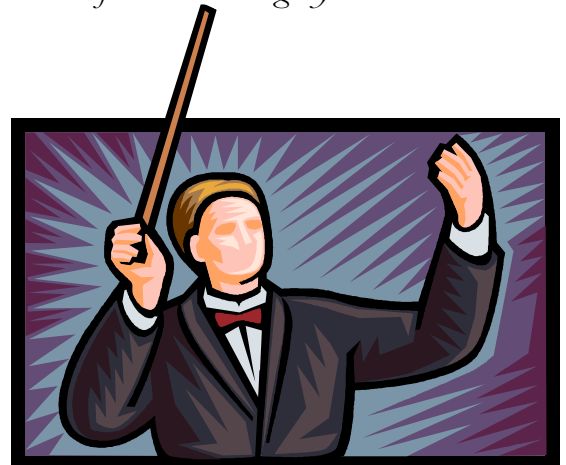
Great leaders are a unique combination of professional will, determination and personal humility.

WAR FOR TALENT

Since the economic downturn of the early 2000s, the talent wars have been quiet at most companies... However, among leading organizations the talent wars have never cooled off - they have just been redefined. These companies have seized the opportunity to redouble their efforts around talent while others are asleep at the wheel. They continue to wage a war on talent with more intensity and precision, applying a razor sharp focus to areas that will guarantee the greatest return to their businesses. They are waging the war on two fronts: leadership and the global sourcing of talent. More than ever, these companies are fixated on identifying and growing talent to develop their future leaders. They are attracting, developing and investing in current and future top performers to drive and grow their business. They are also tapping into the global labor market for new skills and efficiencies and shifting work to locations that enable organizations to compete most effectively...

As we look ahead to 2005 and beyond, the pressures on getting the right talent will only increase. At most major corporations around the world, 40-70% of all senior executives will be eligible for retirement within the next 5 years. At the same time, we will see at least a 15% drop in the number of men and women of "key leadership age," in the 34-44 year-old range. With a small talent pool from which to draw future leaders, competition among companies for top leaders will be especially fierce.

The case for investing in leader-



ship talent is undisputed. Even during down cycles, leading companies continue to focus on filling the leadership pipeline. Not only do they spend time identifying and hiring talented people, they also exhibit an incredible rigor around developing their "high potentials". "IBM must have great leaders", says Randall MacDonald, IBM's executive vice president of human resources. "If we have great leaders, we will continue to be a great company." IBM currently invests more than \$800M per year building global talent...

As the talent wars heat up once again, organizations can no longer be complacent... The time to take action is now!

Excerpts taken from *Human Resource Executive Magazine*

Leadership Qualities

"There has never been a time in our modern history when the outward image and the inward character of our public leaders have been more divorced. The lack of character is shocking."
Bruce Witt, Director CBMC

A leader without character is like a ship without a rudder. A ship can have power and a destination, yet without a rudder to provide direction it will never arrive. Character is the rudder of a leader to help him navigate temptations, selfishness, power, ambition and difficulties.

What is character? Character is commonly known as those inner qualities that define who we are and what we value when no one is looking. Qualities such as honesty, integrity and humility are foundational to a leader, otherwise people will not follow or will follow with great reluctance. It is walking our talk. Yet the lack of character is easier seen than the depth of character.

Increased Opportunities for Financial Executives

When Southwest Airlines announced that its Vice Chairman of the Board and CEO, James F. Parker, had retired for personal reasons, they did not have to look very far for a replacement. Gary Kelly, who joined Southwest in 1986 as their Controller, promoted to Vice President Finance and CFO in 1989 and served as their Executive Vice President and CFO since 2001, was the man for the job.

Herb Kelleher, Chairman of the Southwest Airlines Board said: "Gary Kelly is one of our brightest stars, well respected throughout the industry and well known, over more than a decade, to the media, analyst, and investor communities for his excellence. As part of our Board's succession planning, we had already focused on Gary as Jim Parker's successor, and that process has simply been accelerated by Jim's personal decision to retire. Under Gary's leadership, Southwest has achieved the strongest balance sheet in the American airline industry; the best fuel hedging position in our industry; and tremendous progress in technology." His experience at Southwest included:

- major project development, planning and implementation
- service on (or chaired) major committees throughout the company
- significant budget and people leadership responsibilities
- major contributions to the evolving philosophies and strategies of the company

Since the Sarbanes-Oxley Act there has been increasing opportunities for senior financial executives to move into the President's office because of:

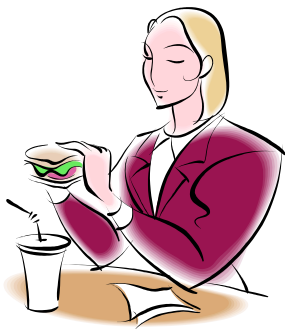
- increased interest in financial control by shareholders
- government driving greater compliance with SOX Act and integrity issues
- Need for independent, stronger, higher character directors on the board

Functional, financially savvy executives are more apt to be cautious and control costs so they are welcome in the driver's seat.

Read more about Gary Kelly http://www.southwest.com/swamedia/bios/gary_kelly.html

"It is good to have money and the things that money can buy, but it's good too, to check up once in a while and make sure you haven't lost the things money can't buy."

George Lorimer
Editor of **Saturday Evening Post**



Emotional Intelligence, Part VI

EQ TIP: Looking for a simple way to boost emotional intelligence? Take a REAL lunch break.

As we speed through the day without a break, our minds dominate our emotions and our bodies and we lose our balance. We are more susceptible to stress. Our amygdala, that part of the emotional brain designed to insure our survival and trigger our fight or flight mechanism, gets more and more aroused, mobilizing our systems for defense.

Try nurturing yourself instead. Take a real lunch break. Eat slowly and silently - no business talk, no reading. Just focus on you and the act of nurturing your mind and body. Savor each mouthful. Make your meal an eating meditation. You will regain a connection to yourself and be more aware and effective, not to mention peaceful and healthy. And when challenging situations arise you will be more able to respond instead of react.

Every day? What a concept!

Excerpts taken from http://www.go2eq.com/archives/2004/09/eating_your_way.html

Global Problem of Short-Term Turnover

A major personnel cost for employers is the turnover of employees with less than one year of service. Research conducted by a number of companies show that if an employee stays for a year, there is a strong likelihood that the person will remain with the company for a much longer time. Unfortunately, many employers suffer from a costly churning in their new-hire labor force.

This problem will intensify during the balance of the decade—on an international basis. Early indications from several countries, including the United States and England, have reported these findings. According to the Chartered Institute of Personnel & Development in the United Kingdom, one in five new employees leave after less than six months and half of the people leaving have only two years' service. A common reason for leaving is lack of support from line managers, cited by other recent surveys on the topic as well.

The challenge seems to be that well-qualified middle and senior managers are difficult to hire, according to the results of the latest Recruitment Confidence Index survey conducted by the Cranfield School of Management and The Daily Telegraph in London. Too many of the people currently occupying those important leadership positions lack a full appreciation of their organization's vulnerability to expensive, high new-worker turnover. They fail to comprehend the impact of entry-level instability on building a solid workforce for the future. Their subordinate managers are not hearing a message of alarm, nor are they receiving adequate training in how to hire selectively and retain effectively.

Part of the problem lies in the fact that most employers believe there is a natural level of employee turnover; that new people should be brought in on a regular basis. They assert that it is not healthy for too many employees to stay with the company indefinitely. There may be some small merit to that position, but if you allow the churn to rise too high, the business begins spending more on recruitment than is necessary. This factor will become a serious bottom line issue for employers who tolerate high turnover among new hires.

Excerpts taken from http://www.retentionconnection.com/view_articles_retention.php

Recruitment is Intensifying

Employers are becoming noticeably more active in recruiting. The volume of employment advertising is increasing, including an unusual December growth in "The Wall Street Journal." Professional recruiters report that the people they're calling have received other inquiries, as well. Forward-looking employers are already seeking top talent, even during this usually quiet holiday season.

This level of activity confirms the trend anticipated for hiring to accelerate significantly during the first quarter of 2005. The more recent surveys of worker interest in job change reflects an increased optimism and intention to move.

If the employment market does become as active as predicted during the first quarter of the year, there will be a wide range of ripple effects throughout the economies in the United States and in other countries. An increase in workforce activity in the United States is often followed by similar movement in other countries, directly or indirectly connected to what is happening in the US...

Employers will encounter difficulty finding qualified workers to fill the jobs that will be vacated and the positions that will be added. While they will often find an abundance of applicants, the skill capacity will be lacking. This predicament will bring employers closer to area high schools, community colleges, technical schools, and four-year institutions in their search for qualified, skilled workers.

Wise employers will reach out to educators now to build their labor pool for the future.

Herman Trend Alerts



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"Our goals can only be reached through a vehicle of a plan, in which we must fervently believe, and upon which we must vigorously act. There is no other route to success."

Stephen A. Brennan
 American Basketball Coach

Mission Statement

Our mission is to be the leading integrity-based retained search firm focused on identifying, assessing and delivering world class leaders.

Employment Picking Up

As we completed the election campaigns in the United States, the economy showed signs of improvement. Those indicators, combined with relief that the campaigns would be over and corporate expansion could resume, stimulated job growth...

An early sign was the drop in unemployment benefit claims in late October. Initial claims were down 19,000 during the week before elections, a larger decline than was anticipated by economists. According to the US Department of Labor, the number of former workers receiving state unemployment checks fell by 20,000 to 2.8 million during the previous week.

The economic cycle is gaining strength in the United States, and will flow over to other countries soon. Non-farm payroll employment increased by 337,000 in October, while the unemployment rate was about unchanged at 5.5 percent. More people are coming back into the workforce, so the statistics will show them as unemployed until they actually find a job.

Employers are gaining courage and optimism to make decisions necessary to grow their businesses. We should see significantly more activity in employment. At the same time, many businesses will grow quietly, recruiting and hiring highly talented people without their competitors discovering their strategy... We hear many stories from employers confirming this silent strategy of capacity building.

There is a problem, however. Workers needed to fill the available jobs may not have what it takes to deliver expected performance. Fewer than half of the over-age-26 group job seekers report excellent skills at solving large complex problems and handling stress. Even fewer believe they understand how a business operates and makes money, according to a survey of job fair participants in Pennsylvania.

Employers will discover that truly qualified applicants are in short supply.

Excerpts taken from Herman Trend Alerts http://www.hermangroup.com/alert/archive_12-8-2004.html

Leadership Identified

Finding the right person to pull your organization together can present quite a puzzle. The ASLON Group understands and assesses the big stones that must be there foundationally, as well as the intangible criteria of values and motives that determine future success.

Future Success

Personal values and motives

Leadership skills

Big Stones

Knowledge and experience

Measurable accomplishments

The puzzle only fits together with a combination of both. Our candidates are thoroughly qualified and assessed before they are presented to the client to make sure they match or exceed the predetermined criteria. Their human qualities are weighed carefully against their business qualifications because we know that their ultimate success depends more on who they are as people rather than their accumulated experience.