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IN THE LEAD By CAROL HYMOWITZ



They Ponder Layoffs, But Executives Still Face Gaps in Talent

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Companies typically shed talent rather than search for new or additional employees during periods of economic slowdowns. That could change, though, as hiring managers prepare themselves for an uncertain year.

Even as they contemplate layoffs, many companies also are hunting for new hires to fill management gaps.

One reason for the hunts: Companies haven't been grooming and training enough employees for promotions and now have a mismatch of talent for open positions. In the past, top managers would plan far ahead to fill a position. Today, every vacancy seems to be treated as unique -- and even as a surprise, despite the long-term trend of frequent job changes by employees. "Workplaces are filled with frustrated people who want to advance but haven't gotten training or broad enough experience," says Peter Cappelli, a management professor at the Wharton School and director of Wharton's Center for Human Resources. "In coming months, we'll likely see companies laying off employees but also crying that they can't find people with the skills they need."

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Instead of complaining, they should acknowledge that they've dropped the ball on talent development. Some 60% of companies have no succession planning of any kind, according to a survey by the Society of Human Resources Management of several thousand of its members.

There are newly named outside chief executives at financial-services giant Merrill Lynch, telecommunications firm Sprint

Nextel and retailer Zale, and CEO searches are under way at H&R Block, Marsh & McLennan and Children's Place. Other companies are looking outside their ranks for top finance executives or managers who can oversee business units.

Nearly half of 20,000 employees surveyed at 100 large global companies by YSC, a London-based corporate-psychology consultant, said they don't receive enough feedback from their managers to help them improve their performance. At one large financial-services company that YSC worked with, a senior executive talked with his eight staffers about their performance just once a year, says YSC director Miriam Javitch.

Employees who lack guidance and opportunities to advance are more likely to quit and look for jobs elsewhere, even during shaky economic times when as the last hired they may be the first fired. A

marketing manager at a New York consumer-products company plans to make a lateral move to another employer where he thinks he has more chance of getting promoted in a year or two. In three years at his current job, "my boss has never talked to me about what job I might do next, or encouraged me to learn anything new," he says.

No manager, of course, has time for constant hand-holding, but that isn't what is required to nurture future managers. The most important need is to identify which subordinates want to advance and keep them growing by rotating them through jobs -- trusting that if they've done one thing well, they'll be able to learn something entirely new.

Bob Zito, communications chief, Bristol-Myers Squibb, encourages the 250 employees he supervises to raise their hands when openings occur and change jobs frequently to get more experience. He recently had an employee from Singapore spend several months at the company's New Jersey office and suggested that an employee in a corporate staff position swap jobs with someone who had spent several years working in the pharmaceutical business.

"I want to keep people excited -- and to be nimble and grow we need lots of employees who have had lots of different experiences," says Mr. Zito. He thinks managers who claim they're too frenzied to groom employees are misusing their time. "The more I delegate to employees and ask them to stretch, the more I have time to work with them."

Jeff Henderson, finance chief for Cardinal Health, Dublin, Ohio, last year reshuffled more than 20% of his top 230 finance managers within the department to create new learning opportunities for them, which resulted in improved performance and strengthened loyalties. He does succession planning for his staff twice a year, "looking at the entire talent pool and seeing who is best for what job," he says.

Until four years ago, Cardinal was a holding company with disparate units and little employee mobility. Now, as one integrated operating company, executives want employees to shed their "silo-based mentality" and be willing to move between staff and line jobs in various departments and at different locations.

"If we go elsewhere to find talent whenever openings occur, we're telling our people to be free agents, too, when we need their loyalty," says Mr. Henderson.

Cardinal still has had to search outside to fill some key spots, such as the head of its health-care-supply unit. But this should change as veterans advance up the ranks.

Next to the stock market, what CEOs talk about most is their lack of bench strength, says executive recruiter Peter Crist of Crist Associates. "Their inefficiency at succession planning is keeping me very busy," he says.

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