

# Trendsetter Barometer

March 2011

**Private companies face  
talent shortages**  
Businesses seek skilled workers  
to power growth



## Highlights

- Despite continued high unemployment across the country, a majority of private businesses lack skilled employees in key areas of their workforce.
- Growth-oriented companies planning major capital investments show the greatest need for key talent.
- The biggest talent shortages appear among skilled professionals and middle management.
- Top areas for prospective private-company hiring are marketing/sales, information technology, and engineering/design.
- Three-fourths of private companies cited investment in training and healthcare benefits as key ways they'll try to attract and retain talent.

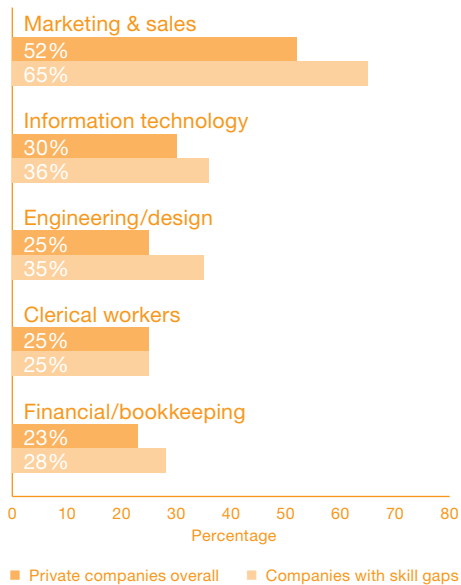
While the country waits for the unemployment rate to come down, another key figure is inching up: voluntary quits. The US Bureau of Labor Statistics reports that the number of workers leaving jobs of their own accord rose in the past year, with 2 million voluntary quits reported for December 2010.<sup>1</sup> Clearly, as the economy emerges from recession, pivotal workers are becoming more choosy—a fact that has not escaped the notice of private companies.

This is evident from our latest *Trendsetter Barometer* results and from the *PwC Family Business Survey*.<sup>2</sup> In the latter, respondents cited the recruitment of skilled staff as their top internal challenge; more than three-fourths of them plan to make HR/training a top area of investment in the next year. As for private companies generally, a majority of the Trendsetter chief executives surveyed this past quarter echo the concern of family businesses, saying they'll have to close skill gaps in order to meet their business objectives over the next one to two years, with most saying they'll make training a key area of focus during that time.

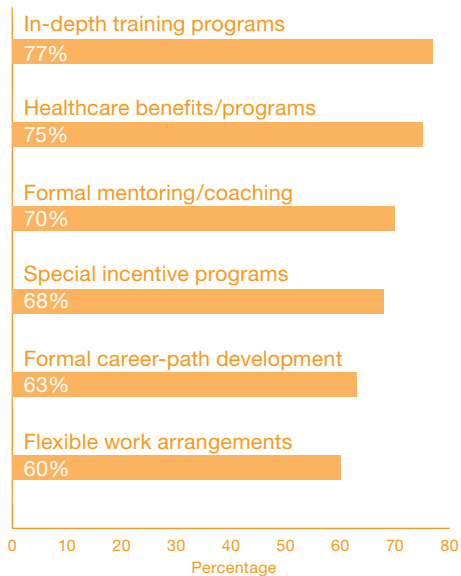
<sup>1</sup> According to the Bureau of Labor Statistics in the United States Department of Labor, "the quits rate can serve as a measure of workers' willingness or ability to change jobs."

<sup>2</sup> *Choosing Your Next Big Bet: PwC Family Business Survey 2010/11—A US Perspective*

## Where private companies plan to hire: Top five areas



## Where private companies plan to invest: Top areas of focus for attracting and retaining talent



## Fast-growing private companies have the greatest need

For many of the Trendsetter private companies surveyed from November 2010 through January 2011, a chief business objective for the next couple of years is growth. “Companies looking to grow again recognize that they need to have sufficient talent on hand,” says Ken Esch, a partner in PwC’s Private Company Services practice. “Those businesses that made deep workforce cuts early in the recession may find themselves hard-pressed to run at capacity as demand for goods and services picks up. For many private companies, however, the focus is less on replacing laid-off workers and more on driving growth for the long-term. Those companies are looking to make strategic hires that can help propel the business forward, and so having skilled personnel in areas such as technology and marketing is becoming increasingly important.”

Private-company leaders who say their businesses have skill gaps expect to grow at a rate of 11.4% over the next 12 months (compared with a rate of 8.5% among companies claiming to have no skill gaps). They’re also planning major new investments (40%, compared with 29% of companies without skill gaps) and plan to hire new employees over the next year (69% with gaps vs. 45% without).

In line with this emphasis on growth is a tilt toward international engagement among those companies that acknowledge skill gaps (55%), as compared with companies claiming they have all the right skills (44%). In fact, we’ve consistently seen that Trendsetter private companies with an international presence tend to be more growth-oriented than their domestic-only peers, with markedly higher prospective spending on operations and capital investment, and much greater intention to expand to new markets abroad.

Although private companies operating abroad are increasingly relying on local workers and managers, they continue to depend on personnel brought in from headquarters to help run their foreign operations.<sup>3</sup> As one might expect, skills required for international assignments (e.g., language skills, familiarity with business practices/customs in a particular country/region) are often harder to come by than the skills required of home-country positions. At the same time, companies in general (both public and private) are increasingly using international assignments as a way to attract and retain key talent, recognizing that such opportunities are often expected by younger workers.<sup>4</sup>

## Increased emphasis on training and development

While 79% of Trendsetter chief executives say they plan to fill their companies’ skill gaps over the next one to two years by hiring new employees, 80% say they’ll focus on training and developing current employees (up from 68% of Trendsetter respondents who were surveyed on this topic in the third quarter of 2009).

“What we have seen in the time between this survey and the one we conducted in the third quarter of 2009 is that private companies are now relying more on measures other than hiring as they look to fill skill gaps,” says Esch. “This may signal companies’ frustration in their attempt to find the right talent in the open market over the past year, particularly in the areas of middle management and skilled labor. These happen to be the same areas that the Trendsetter companies we surveyed in 2009 said were most impacted by workforce reductions they’d made in response to the economic downturn. However, to simply rehire laid-off workers now isn’t an optimal solution for companies that need different skill sets going forward. As a consequence, we’ve begun to see private businesses devote more attention to alternative solutions.”

<sup>3</sup> *Building a Presence in Today’s Growth Markets: The Experience of Privately Held Companies*, PwC, 2011

<sup>4</sup> *Talent Mobility 2020: The Next Generation of International Assignments*, PwC, 2010, and PwC’s 14th Annual Global CEO Survey, 2011

## Workforce challenges

Private-company chief executives—particularly those in organizations with skill gaps—say the following workforce issues pose challenges for their businesses:

|   | Private companies overall | Cos. w/skill gaps |
|---|---------------------------|-------------------|
| Maintaining competitive compensation/benefits at an acceptable cost | 69%                       | 73%               |
| Sourcing/securing needed talent                                     | 65%                       | 82%               |
| Hiring/retaining skilled professionals                              | 59%                       | 73%               |
| Retaining needed talent   | 54%                       | 61%               |
| Implementing more flexible work schedules                           | 36%                       | 43%               |
| Hiring/retaining unskilled labor                                    | 20%                       | 23%               |

Forty-two percent of respondents say they'll use outside contractors to fill skill gaps over the next one to two years (up from 22% in 3Q 2009), and 33% say they'll redeploy talent from different areas/functions in the company.

“Ultimately, as companies place greater focus on training and development, we may see more of them redeploy talent inside their organizations, with people in one part of the business being retrained to function in other areas,” notes Esch. “Indeed, a majority of the survey respondents rank talent management among their top five priorities—a trend that is likely to continue.”

### Top concerns: Compensation and benefits

Sixty-nine percent of Trendsetter chief executives say that providing employees with competitive compensation and benefits while keeping those items at a reasonable cost is a challenge. It is unsurprising, then, that although 68% of respondents plan to invest in special incentive programs, nearly as many are also turning to alternatives such as formal career-path development and flexible work arrangements. Only a minority of Trendsetter respondents consider the latter challenging to implement and may increasingly leverage such arrangements in their retention strategies to accommodate the priorities of today's workers.<sup>5</sup>

Healthcare and other benefits programs will also receive considerable investment (second only to in-depth training programs), say Trendsetter chief executives, 75% of whom are at companies planning to invest in these programs. “As we've seen among our clients and in our Trendsetter surveys, this is an increasingly challenging area for private companies,” says Esch. “Managing the costs of employee benefits while remaining competitive and motivating workers is a difficult balancing act in today's environment. The fact that nearly as many Trendsetter private companies plan to invest in formal mentoring and coaching as intend to invest in healthcare and other benefits programs suggests that businesses are trying to make the most of economical ways to attract and retain personnel.”

### Up to the challenge

Despite the difficulties some private companies face in pursuing their human-capital agenda, most Trendsetter chief executives claim their efforts to attract and retain key talent are proving successful, with only 21% saying they were unable to place skilled employees in open positions during the past year.

“A good deal of the workforce issues we're seeing private companies confront are a result of new growth momentum,” notes Esch. “These are good challenges to have when you contrast them with the cutbacks and hiring freezes of recent years. Most Trendsetter companies appear to have them well in hand.”

<sup>5</sup> To learn more about how companies are leveraging flexible work schedules, see *Meeting Tomorrow's Workforce Needs: Flexible Workforce Arrangements*, PwC, 2009.

PwC's Trendsetter Barometer tracks the business issues and best practices of privately held US growth businesses. The 4Q 2010 results incorporate the views of 243 chief executive officers (CEOs/CFOs) interviewed between November 3, 2010 and January 28, 2011:

**Profile of management panel demographics:**

|                            |           |
|----------------------------|-----------|
| Average # of employees     | 890       |
| Average revenue            | \$197.7 M |
| Average enterprise revenue | \$287.0 M |
| Average five-year growth   | 75%       |

PwC's Trendsetter Barometer is developed and compiled with assistance from the opinion and economic research firm BSI Global Research, Inc.

To find out more about Barometer surveys, including recent economic-trend data and information about topical issues, please visit our website: [www.barometersurveys.com](http://www.barometersurveys.com)

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\* 2010 Forbes America's Largest Private Companies List