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Addressing C-Suite Turnover in the Industrial Manufacturing Sector

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As 2023 opened with the threat of a looming recession, many leaders of the industrial manufacturing sector could only sigh a little deeper. This was coming after several years of drastic change and uncertainty: the pandemic, the disrupted supply chain, wars and natural disasters, social justice and climate change, inflation and, yes, national economic worry.

It's still unclear what the year will bring and [whether a recession is imminent at all](#). But that doesn't change the fact that C-suite turnover in industrial manufacturing is ballooning. The entire workforce, executives included, is facing high quit rates and mounting retirements on top of a continued talent shortage.

2023 appears to be a make-or-break year for the industrial sector. There is soaring potential to embrace digital transformation, new investment opportunities, and evolving business models, but only if organizations can reign in the talent problem. Below we analyze the state of the workforce, and its C-suite, addressing the motivations of leaders as they look to the future of the industry.

High Level Overview of the Industrial Workforce

Despite a [record level of new hires](#), the industrial manufacturing sector is still faced with a growing number of vacancies. Many of those openings result from a high voluntary quit rate—one that, in an uncommon reversal, is outpacing layoffs. In short, it's a recipe for significant workforce churn. And unfortunately, this is three years *after* the massive setback of [losing 1.4 million jobs](#) when COVID first hit. The industry never quite recovered.

It's not completely surprising that one of the root causes behind these record numbers was—and continues to be—the [Great Resignation](#). In fact, in 2021, manufacturing outnumbered any other industry in the number of employees quitting compared to pre-pandemic levels—with an increase of almost 60%.

Furthermore, the [Manufacturing Institute reports](#) that nearly 25% of the workforce is age 55 or older, setting the stage for an increasing number of retirements. In many subsectors of the industry, there are simply not enough workers to fill the positions left open in the wake of these retirements and quits. In durable goods manufacturing, for instance, the [U.S. Chamber reports](#) that even if every unemployed person were hired, two thirds of open positions would still be left unfilled.

Trends in Industrial Executive Leadership

The broader industrial workforce has been heavily impacted by turnover and talent shortages—but what about the C-suite?

Historically, industrial leaders have had long tenures in their positions. [Bloomberg](#) reports that many top industrial companies had the same CEOs for multiple decades (General Electric, for example, was led by Jack Welch for 20 years). However, this is changing rapidly, with an average CEO tenure of just 4.9 years for industrial companies on the S&P 500—more than two years shorter than the general average.

At Slayton Search Partners, we have also witnessed a significant shift in industrial executive hiring. In fact, in 2022 we experienced a 32% increase in search volume for our industrial practice and a 64% increase in P&L searches within our industrial clients.

Some of the same trends impacting the entire industrial workforce are also true for those in leadership: the C-suite has not been immune to increasing retirements and the Great Resignation. Many leaders held off on their retirement plans during the height of the pandemic to help with the organizational crisis response as well as to protect themselves against an uncertain future. As business has re-settled and the pandemic is in the rearview, those retirements are now inevitable.

Likewise is a growing number of voluntary quits. [Slayton's recently published research](#) revealed that 72% of executive leaders are considering a job change in 2023, a number reinforced by [Deloitte's](#) own data. Although the vast majority of these professionals won't actually make that change, it's nonetheless important to recognize that the national quit rate is at record highs across the board.

What's motivating people to look for something new? Our survey showed that leaders are looking for better growth potential, better values alignment, and higher compensation. Antidotes, it seems, to the burnout they've experienced in recent years.

Experts at the [World Economic Forum](#) say, "it's hard to overstate how much the events since 2020 have ramped up the pressure on the C-suite." While COVID took center stage, other external events and disruptors have been equally stressful, including geopolitical circumstances, social justice issues, raw materials shortages, supply chain disruption, soaring inflation, economic uncertainty, and many more. This is, of course, in addition to watching the dwindling of the industrial workforce.

Leaders responsible for pioneering growth and increasing profits have struggled under the burden of these additional and ongoing challenges. It has, as the World Economic Forum states, “taken a toll on the psychological wellbeing of those expected to keep level heads in the boardroom.” At Slayton, we have witnessed the growing reality of “COVID fatigue” among several of the clients we work with. Many executives who admirably led their company through crisis are now simply tired, and with rumors of a recession around the corner, they’re ready to move on.

Moving Forward: The Future of the Industrial Manufacturing Sector

Many of the trends and challenges facing today’s industrial manufacturing leaders fall under three main categories: supply chain, technology, and organizational culture.

Supply chain issues have been in the public spotlight since the pandemic. The [struggles have been ongoing](#), with inflation, labor shortages, factory shutdowns, geopolitical conflicts, and climate change conflating to cause significant disruption. Leaders are left to deal with the fallout—yet another heavy burden—but there are a number of opportunities to right the ship.

Many manufacturers are finding innovative new ways to bring [resiliency to their supply chain](#). Some have acquired or developed their own logistics companies to avoid outsourcing to third-parties and ensure tighter quality control. Others have simplified complex supply chains by turning to direct-to-consumer models. Advanced supply chain technology—like the metacloud, AI and automation, and big data—is also driving resiliency in addition to streamlining costs, increasing efficiency, and achieving a competitive advantage.

The supply chain isn’t the only area that stands to gain from digital transformation. [Deloitte](#) reports that digital investment in the manufacturing sector has increased in recent years and is correlated with greater resiliency across the organization. It is the advent of the *smart factory*, where the metaverse, IoT, AI, and automation are gaining wider adoption to reinvent and revolutionize processes and solutions. Exploring and embracing digital innovation across the enterprise is also one way to motivate leaders who are looking to grow and increase their job satisfaction.

Finally, the organizational culture is a broad category that spans from work environment and talent retention strategies to corporate social responsibility (CSR) and environmental, social, and governance (ESG) initiatives. Companies should aim to address these areas with compassion for the current workforce challenges and acknowledgement of the shifting

expectations of consumers. For leaders who are seeking values alignment, greater job fulfillment, and a positive workplace culture, these efforts will be especially valuable towards retaining top executives.

Addressing C-Suite Turnover in Industrial Manufacturing

Manufacturing has long been heralded as a robust industry, key for economic growth and a stable employment outlook. But the last few years have shone a light on some deep cracks in the sector. Leaders are pressured to not only patch the gaps but also stay ahead of the curve, evolving at breakneck pace alongside the rate of technology and consumer expectations, all while weathering the impacts of both regional and global events and trends.

Some call it “COVID fatigue.” More realistically the increased C-suite turnover in the industrial sector is indicative of a sea change in the industry that the pandemic simply accelerated. To retain top executive talent while attracting more professionals to the workforce in general, organizations must evaluate their objectives and how those trickle down to their culture, values, and even their processes and infrastructure.

What shifts have you seen in the industrial manufacturing landscape?