You at the crossroads...
The Great Resignation

• It’s a symptom of a larger shift

• For our discussion:
  • How to Win the War for Talent?
  • What’s the Next Formula?
Lots of models to figure things out
Today...these three
Let’s start with you...
When times are good / the industry is in stasis...
When times are bad / the industry is in transition...
Tech worker attrition doubles...

**Annualized Voluntary Employee Attrition**

\[ \text{Attrition (\%)} = \frac{\text{Voluntary employee resignations within period}}{\text{average } \# \text{ employees during period}} \]

<table>
<thead>
<tr>
<th></th>
<th>1H 2019</th>
<th>2H 2019</th>
<th>1H 2020</th>
<th>2H 2020</th>
<th>1H 2021</th>
<th>2H 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year over</td>
<td>10.8%</td>
<td>13.1%</td>
<td>14.2%</td>
<td>13.3%</td>
<td>16.5%</td>
<td>19.8%</td>
</tr>
<tr>
<td>Year</td>
<td>+31%</td>
<td>+2%</td>
<td>+16%</td>
<td>+49%</td>
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TalentGenius, 2022
Data: “The top four Indian IT firms -- TCS Infosys, Wipro and HCL-- spent Rs 50,000 crore ($7.6 billion) on subcontractors last year alone.”....“Subcontracting expenses for TCS increased 34.2%. For Infosys, it rose by as much as 77.9%. Wipro’s went up by 30%, and HCL's by 23%.”
TOI, May 2022
NYC Office Occupancy (May 2022)

38% of Pre-Pandemic Levels

“If you don’t show up, we’ll assume you have resigned”…Go “pretend to work somewhere else.”

“We’re not going to pay to you to not work in the office.”

“Be back by Labor Day or we’ll have a different kind of conversation.”
“Employees have the power.”

Spending $2.4BB on My+...the new model

Tim Ryan, CEO PWC
Coasian economics:

- **The Nature of the Firm**
  - Why does a company even exist (Vs. an open market)?
  - What is internal Vs. what is external?
    - Transaction costs are the key
      - Time and money to:
        - search for sellers & buyers,
        - obtain and transform raw materials,
        - negotiate exchange terms,
        - write contracts,
        - inspect results,
        - enforce deals,
        - navigate local laws and cultures, etc.

- **A firm is necessary when:**
  - Production + Transaction Costs < Market Prices
- **A firm collapses when Intra-Org Production + TC > Market Prices**
Fordlandia

“Web2”
Employees: Market > IT Services Company

The Holy Trinity of Quitting

- Opportunity / Comp
- Lifestyle
- Agency / Respect

Source: Pew Research Center, March 2022
The Collapse in Market Transaction Costs: Employee

- **Key points:**
  - Transaction costs of switching jobs almost zero = Autonomy
  - Mastery: Market > individual employer
  - Loyalty to the tribe > loyalty to a firm (fifth column problem)
  - Purpose in client work Vs. support work
The Collapse in Market Transaction Costs: Employer

- This is no longer intimidating
- From Batch => Project => Individual
  - Tapping into the Talent Cloud
- Post-Covid: “Virtual is virtual. What’s the difference between 5 and 5,000 miles?”
The Employee Warning Light is red

Summary

Employees are now trusting the market over individual employers.
New baselines on:
• Opportunity & Comp
• Lifestyle
• Agency / Respect
Winning firms must understand this and surpass the new benchmarks

Web3 is coming to Business Services
• The New Atomic Age
• Decentralization
• DAOs
• Tokenization
  • Read – Write – Earn
• Employee Empowerment

Accept we’re entering a new era…and that it’s a healthy thing