

Your New Core Strategy: Employee Retention

The Baby Boom is de-booming and soon there will be many more jobs than people available to fill them. The message: Keep your workers happy today. From *Harvard Management Update*.

by Paul Michelman

It's 12:05 p.m. on a Wednesday, and Jeff Taylor, founder of the online job marketplace Monster, is running late. His assistant sticks her head in the door of his office and urges him to move on to his next appointment: the employee lunch, an open-discussion meal that Taylor hosts every other month. On Tuesday, Taylor spent the morning in an orientation session for twenty-seven new hires. Later in the week, he'll be serving as DJ at a company-wide outing, a payback to employees after last year's holiday party was cancelled because it seemed like too much of an extravagance. Staff at the Maynard, Massachusetts-based company have something else to celebrate these days: merit raises were recently awarded.

For Jeff Taylor and like-minded leaders, a focus on morale and retention isn't just about maintaining a positive work atmosphere during these tough times. Nor is it simply about making sure that your best people remain committed to the firm should the market soon beckon with new opportunities. It's about establishing a way of doing things that may well be essential to survival just a few years down the road. According to a 2000 Bureau of Labor Statistics report, by 2010 there could be as many as 10 million more jobs available than there are employees in the United States—thanks to a combination of factors, including the retirement of baby boomers and a decrease in workers aged between twenty-five and thirty-four.

You think 1999 was a bad time to be hiring? That year "was only a footprint for what we'll see in 2008," Taylor says. "We'll be facing the worst labor shortage in our lifetime within the next five years."

While many experts echo Taylor's thoughts about an impending labor shortage, there are others who believe that a combination of advancing technology and increasing globalism will mitigate its severity. Nevertheless, one day in the not-too-distant future the job market will swing back toward the job seeker's advantage. And when it does, the effect on some organizations—particularly those that let employee satisfaction and retention strategies take a back seat to seemingly more pressing issues of corporate survival—could be severe.

On a national stage, notes John A. Challenger, CEO of the Chicago-based outplacement firm Challenger, Gray & Christmas, "the mood is grim. For those who have managed to avoid job cuts, morale has definitely suffered. One recent survey [of U.S. workers] found that 34 percent of respondents were likely to leave their jobs once the economy improved." In addition, in an August 2003 study by Accenture, 48 percent of U.S. middle managers surveyed said they were looking for another job or planned to do so when the economy recovered.

So for those companies that believe the quality of their people is central to building value, it may be time to reconsider the "they have no place else to go" strategy of employee retention.

Many firms are doing just that, and they are finding that the key to retention is found in a strategy that considers both their employees' personal aspirations (career development, recognition, reward) and the aspirations they possess for their organizations.

Focusing on the individual

Recovering from an approach that put retention low on the priority list won't necessarily be easy, says David Sholkoff, a principal in Deloitte & Touche's Human Capital Advisory Services practice. "By waiting until now to create employee initiatives, those initiatives may be seen as just initiatives. Or as one client told me, 'It seems that all of a sudden we are trying to focus on our employees. This is really just leadership being self-serving.' Those organizations that were not focused on their people are in a deficit position today."

However, he continues, "there is still hope. I think we are seeing more employees take an individual look at their jobs in the long term. They would rather remain with their current employer if career opportunities are presented. Thus, organizations that are serious about retaining key talent have a great opportunity today to create a work environment that allows for flexibility, growth, and development."

While a commitment to building this type of culture has to come from the top, experts say, much of the responsibility for retention rests with individual managers and their ability to employ Grade A people-management and motivation skills. Leaders who can enable meaningful and fulfilling work experiences for their teams are much more likely to win loyalty and retention—especially when times are tight and monetary rewards may be slim.

Senior executives and immediate supervisors alike need to ask some important questions of their top employees, says Sharon Jordan-Evans, coauthor with Beverly Kaye of *Love 'Em or Lose 'Em: Getting Good People to Stay* (Berrett-Koehler, 2002). "What can we do to keep you? What kinds of things do you want next in your career—e.g., the chance to learn something new,

title change? Then, listen," she says. "Tell the truth about what you can and cannot give right now and ask, 'What else?' I guarantee there will be one thing he wants that you can give. If talented people really believe that you treasure them, count on them, and want to reward them in many ways—they're more likely to hang in there with you, even when the tide turns for the better."

Another powerful influencer of retention in which the manager's role is central is "providing work that best suits individuals' particular interests," says David Lewin, director of the Advanced Program in Human Resource Management at UCLA's Anderson School. "Individuals differ greatly in this regard. A company should exert some effort and undertake some analyses to determine the nonmonetary interests and preferences of its key employees, and then attempt to meet these preferences in action."

Striking a similar chord, Paul McDonald, executive director of Robert Half Management Resources (Menlo Park, California), suggests that managers focus on getting their best people more deeply engaged and thus more committed to the organization. Managers should look to unleash the creativity of their top people by soliciting their ideas on how to improve the bottom line. At the same time, McDonald says, managers need to give their people a sense of empowerment by providing the breathing room to take risks, use their own best judgment, and be accountable for the decisions they make. He also stresses a greater need for open communication during tough times. "Being unavailable only sends the wrong message; no one wants to feel like they are being left in the dark or ignored. Be accessible to employees when they have questions, concerns, or ideas," he says.

Some organizations view managers' roles as so important to retention that they have established clear responsibilities and goals in this regard, including tying variable compensation to retention rates, but also rewarding managers who help good employees leave their groups for other jobs in the company, rather than holding them back and thus eventually losing them to outside firms.

Learning what people want—for themselves and the firm

One company attacking the retention issue head-on is Charlotte, North Carolina-based Quaero, which designs and implements CRM solutions and serves several Fortune 1000 companies. At Quaero an aggressive effort to reconnect with employees began with senior management recognizing that decisions stemming from the economic downturn could be putting the firm at risk with at least some of its workers.

As Quaero transitioned from growth to survival mode, the company's management had made some tough choices, including downsizing its consulting force, tightening decision making and communication, emphasizing company needs ahead of individual development goals in making assignment decisions, making temporary salary cuts, and replacing expected cash bonuses with stock options in 2001.

Looking at their situation in the most negative light possible, says HR director David Drysdale, "some employees might conclude that they have been taken for granted in that they have demonstrated incredible commitment" to an organization that has not recognized them appropriately. They haven't received financial gains, their professional aspirations haven't been responded to, and the company "has become less inclined to really involve them in the business in a meaningful way," he says.

Acknowledging this, Quaero's commitment to improve morale and boost engagement involves several simultaneous efforts. Among them: one-on-one meetings; a commitment to top-down improvement in communication and information sharing; a shift toward more flexible working schedules; and actual payment of quarterly cash bonuses in the current year (2003), subject to meeting published net income targets.

Just as importantly, the firm is deploying a company-wide employee commitment survey in an effort to establish a clear baseline of employee opinion and priorities. The survey asks employees to respond to a lengthy series of questions, both general and quite granular, that Drysdale hopes will paint a meaningful picture of how Quaero's people view the organization and their roles in it. The majority of the questions ask employees to rate their degree of agreement with statements such as these:

- I expect to remain working at Quaero for at least the next two years, assuming I continue to meet performance expectations.
- I would recommend Quaero to my friends as a good place to work.
- Quaero's values are consistent with my personal values.
- There are no process or organizational barriers to my doing a good job.
- The work that I do makes a difference to this organization.
- Our leadership team has the capabilities and commitment to address the challenges Quaero faces.
- I am trusted to make meaningful decisions in my day-to-day activities.
- I am paid fairly given my responsibilities and performance.

The survey concludes with open-ended questions such as "What one thing could we start to do as an organization that would have the biggest impact for our clients and our people?" that allow for a greater expression of employee opinion.

Other firms are conducting employee culture surveys as well as company-wide "stay interviews," in which managers let people know how important they are to the company and ask what kinds of things will keep them.

At Quaero, the linchpin is that management made a public commitment to act on the results of the survey before its launch. "It isn't really the conducting of surveys that promotes retention, it's what companies do in response to what they learn that counts," Drysdale says. "The way in which the survey will promote retention is that addressing the issues it may raise will help move all of our people to the point at which they are so engaged in what they are doing that they will have neither the time nor the inclination to look around or, as important in an up market, to take calls from recruiters."

It's too soon to judge the impact of Quaero's employee survey. However, the company has already seen some initial success in its efforts to re-engage staff, Drysdale notes. For example, the firm completed a quick-hit survey specifically about benefits, which led to a change in the firm's benefits brokers, as well as its medical, vision, and dental insurers, improving features and service levels while aggressively capping rate increases.

"How at risk do we feel of losing key people as the job market upswing comes?" he asks. "This is tough one. We recognize the risks and are taking actions to address them. Morale overall is probably to some degree the same as the economy overall—at a tipping point. It is on an upswing, but a shallow one, and our challenge is to steepen the slope of that curve."

Building a culture of retention

"In good markets and bad, there are always opportunities for top performers," says Frank Brown, global leader for Assurance and Business Advisory Services for Pricewaterhouse Coopers (PwC). "The real trick is creating a culture that sustains all employees," says Brown, one that will "engender a positive response to questions like these: Is my work valued? Does my opinion count? Are new ideas welcomed? Are people treated with respect? Am I evaluated and rewarded on my performance? Does leadership act with integrity?"

The desire to create that kind of environment has prompted PwC to create a number of programs focusing on its people.

For instance, PwC's Australian business introduced an initiative sixteen months ago called High Performance Culture that aims to inspire and develop staff by driving the organization's values into everyday business behaviors, Brown says. Leaders hand-deliver staff employment offers personally, and at offices throughout the country, top management walk the halls ringing bells to publicly acknowledge high achievers.

But culture change won't work if it's solely directed from above, Brown notes. "It also needs to bubble up naturally from below as people embrace new behaviors and attitudes." Brown describes the new type of culture that PwC strives for as one less dependent on rules, hierarchy, and tradition, and more attuned to performance, innovation, and change.

To that end, and to build retention among its top performers, PwC has invested heavily in a leadership development initiative called Genesis Park. The program identifies six to nine top performers from a variety of client-facing practices around the world, Brown says; takes them off billable revenue-generating client work (this removal constitutes a major investment for the firm); and puts them together as a team for five months. The program includes business case development, strategic projects and thought leadership, team building, change management, and in-depth discussions with business leaders from PwC and other companies.

More than sixty people from nineteen countries have participated in the Washington, D.C.-based program to date. According to Brown, "Graduates report feeling more connected to the firm and its leaders, a greater sense of commitment to their jobs, a better understanding of relevant business issues, and a deeper sense that they are recognized for their ideas and contributions and have a real stake in the firm's success. Just as important, graduates carry this enthusiasm back to the people they work with."

In the two and a half years of the program's existence, the cumulative retention rate among Genesis Park alumni stands at 98 percent compared with an annual retention rate of 75 percent for their peers, Brown says.

Bottom-line benefits, whatever the market

For all the myriad approaches companies take to promote loyalty among their employees—broad-based and narrow, short-term and long-term—the one universal truth is that employees are more likely to stick it out in tough times when they feel that they are treated with integrity.

"There is no reason that companies cannot retain and/or rebuild favor among employees," Challenger says. "We see countless examples of companies that are able to go through significant downsizings and those remaining, as well as those who were let go, still have

positive feelings about the employer. It comes down to how people are treated. If they believe that the company is being fair and honest, they will endure downsizings, salary freezes, cuts in benefits, and no bonuses."

Reprinted with permission from "Why Retention Should Become a Core Strategy Now," **Harvard Management Update**, October 2003.

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Paul Michelman is editor of Harvard Management Update. He can be reached at pmichelman@hbsp.harvard.edu

Employee retention strategies for increasing job satisfaction. While the job market in some industries and regions favors employers, candidates with in-demand skills likely won't have to wait long to find a new opportunity. Many companies never stopped hiring during the pandemic, and a lot that did are starting to expand staff levels again. If you sense your business is at risk of losing top talent, you need to move fast to shore up your employee retention strategies. Here are 14 areas where deliberate action can help boost employees' job satisfaction and increase your ability to hold onto valued workers:

1. Onboarding and orientation – Every new hire should be set up for success from the start.

7 Great Employee Retention Strategies. by. Chad Halvorson. According to a collection of recent surveys on employee retention, only 24% of "Generation X" employees say that financial stability motivates them to stay in a job. Yet 56% of employees say that health care and insurance concerns keeps them in their job. Benefits that are actually beneficial matter. Money matters. Glassdoor found that 35% of those doing the hiring of new employees are doing so with the expectation that more employees will be quitting in the coming year. It's a little disheartening to know that those doing the hiring are already envisioning over one-third of their hires walking out the door. If you hire a quitter, don't be surprised if they quit. New employees take approximately three months to achieve optimal productivity, and the frequency of new employees at your organization can impact the morale of the team and undermine their loyalty. Tip: Organizations should treat their employees as appreciating assets who increase in value over time, as they become more productive and understand how the organization operates.

Employee Retention Strategies: 1. Offer attractive perks. A great way to reward employees is by offering competitive salaries, generous commission structures, vacation leave, retirement savings plans, and subsidized medical plans. With effective employee retention strategies in place, you improve office morale and help ensure that your best workers continue to work only for you and not your competition. And no, you don't need to spend a fortune on employee retention strategies either. Managers who are serious about employee retention strategies know that they need to do more than just the bare minimum. It makes no difference how big your business is, anytime an employee leaves, it's bad for business. The Wall Street Journal also found that "a high employee turnover rate can cost twice an employee's salary to find and train a replacement." Many new hires admit that they would stay at a job longer if they were better informed about their role during the hiring process.