



# RETAINING EMPLOYEES

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## EXECUTIVE SUMMARY

- Regardless of whether the economy is booming, employee retention remains a major concern across all industries and countries.
- The keys to retaining talent are well researched. Most of them lie within the manager's control.
- Managers aren't using these keys. They need coaching, some focused accountability, and training.
- The emerging work force has different attitudes and expectations from the last generation. With the growth of self-reliance individuals are in charge of their own careers. Savvy leaders had better understand their new-millennium workers and shift the way they manage and mentor these golden assets.

## INTRODUCTION

A decade ago the leaders of organizations seldom talked about the business issue that now reportedly keeps them awake at night: the challenge of attracting and retaining talent.

Research reveals that while pay and benefits matter, you can't count on money to retain talented people who have employment options. Key motivators include challenging and stimulating work, a chance to learn and grow, a good boss, and great people to work with. Managers can influence these major retention factors. The problem is that many managers don't believe they have the power to hang on to their best and brightest. Yet retention is hot for good reason:

- Talent is the only differentiator. It separates you from your competitors and ensures your company's place in the future. While capital is abundant and technology is easy to access, brainpower becomes the major asset for most businesses.
- The global talent shortage is expected to last for at least the next 15 years. In the United States there will be an estimated shortage of 10 million workers by 2006, and 40 million by 2015 (assuming 2% economic growth and current retirement conditions). In IT demand will outstrip supply by 20% through 2005. Fertility is now below replacement level in 61 countries.
- Good employees don't even have to leave their desks to find new jobs. The most popular log-on time for popular job-search sites like Monster.com is between 9 and 5. Headhunters and corporate recruiters practice a multifaceted science

complete with firewall-breaking strategies to identify and steal top talent.

- Experts agree that replacing a talented employee costs at least two-and-a-half times his or her annual salary. The hard costs include search firms and sign-on bonuses. Softer opportunity costs include lost customers, contracts, or business. Replacing platinum employees (those with specialized professional skills) will cost you around four to five times their annual salary.
- You've seen talent loss following major organizational change or downsizing and know that you're at risk. Remember those talented employees who left 6 to 12 months after your last downsizing? They were overworked, demoralized, and pessimistic about the organization's future. If you're facing major change, you'd best double your retention efforts.

## TECHNIQUES FOR RETAINING EMPLOYEES

**UNDERSTAND WHAT MOTIVATES PEOPLE**  
We've asked over 10,000 people why they stayed in an organization for "a while." Here are the top five responses:

- exciting, challenging work
- career growth, learning, and development
- great people
- fair pay and benefits
- good boss

These answers are no surprise. For more than 50 years researchers have studied the factors that satisfy, motivate, or engage their talented workers, and their findings match ours. Abraham Maslow identified basic survival needs and found that, once those

needs are met, people focus on social needs and self-actualizing work. Frederick Herzberg identified "hygiene factors" like decent work environment, pay, and benefits as potential dissatisfiers when they're inadequate, but these are not necessarily motivators.

## KEEP THE MOTIVATIONAL IMPORT OF REMUNERATION IN PERSPECTIVE

If employees aren't challenged or growing, or if they don't get along well with the boss, their paycheck probably won't keep them for long. Even lucrative stock options (golden handcuffs) are being bought out today (golden hellos) by companies wanting to steal talent.

## KNOW WHERE THE BUCK STOPS

Nine out of ten managers will say that what keeps people is money. Some believe it; others hope it will absolve them of responsibility. They can then point the finger at senior management, human-resources professionals, or the compensation committee. Those players all have a role in retaining talent, but experts agree that the manager is central to attracting and retaining talent. How does a manager begin to do that?

First, you need to find out what individuals on your team really want. Don't guess, and don't assume they all want the same thing (like pay or promotion). Try this. Tell all your key employees, one at a time, how critical they are to you. Maybe you've told them before. If so, tell them again, "You matter so much to me and to this team. I can't imagine losing you. So, what will keep you here, and what might entice you away? What things do you want/hope for/need to stick around for a while?" You may not have opened that conversation for fear they'll ask for something you can't deliver.

So how will you respond if your top guy says he wants a 20% increase and you don't have the power to give it to him right now? Too many managers respond with something that shuts down the dialog and makes your key employee feel diminished. Instead try, "You're worth that and more to me. I'll have to think about how and when I can satisfy your request. Maybe you can help me figure out how to position it with senior management. Meanwhile, *what else*

*"For us the core of management is the art of mobilizing and putting together the intellectual resources of all employees in the firm."*

(Konosuke Matsushita)



matters to you?" Usually there will be at least one thing he wants that you can give.

#### SELECT THE RIGHT PEOPLE AND SUPPORT THEIR GROWTH

- Get the right people in the door in the first place and don't resort to desperation hiring. Remember that today's hiring mistake is tomorrow's problem.
- Enrich and enliven their work. When the thrill is gone, so are they.
- Allow employees to grow, or they'll find an employer that will. Think about how you can develop your workers' talents. Remember to ask individuals what and how they want to learn. Mentor them, and they're twice as likely to stay. Encourage, nurture, and teach them how to be successful in your organization. Link them to mentors, coaches, leaders, or colleagues.
- Identify options other than promotion or "up." Help your key employees uncover multiple options, including lateral moves, special projects, or growing while in place.

#### DEVELOP A MANAGEMENT STYLE THAT INSPIRES LOYALTY

- Loyalty is still possible but it is increasingly complex. New-millennium employees can be committed to the team, the project, the boss, the mission, and, yes, even to the company—that provides just what they want and need.
- Show respect in many ways. Treat people fairly "not identically" and trust them; they'll prove to be trustworthy. Create a culture of inclusion, valuing different experiences, and attitudes. Guard against negative behaviors that might turn off or turn away your talent.
- Provide feedback. Talented people want to know how they're doing and how you think they could improve and grow. Give feedback clearly, truthfully, and respectfully; in return get feedback from them about your own strengths and opportunities.
- Reward creatively. Use the universal reward: praise. Use it often and authentically with every one of your talented people. Then individualize rewards. Don't guess what people want—ask!

#### CREATE A WORK ENVIRONMENT THAT PEOPLE LOVE, ENJOY AND RESPOND TO

- Many busy, high-stress organizations admit they've become a fun-free zone. Ironically, fun may be just what they

need to ease the pressure and stress. It's definitely what they need if they are to retain their fun-loving employees. Find ways to make the workplace enjoyable.

- Information is power. Give it as freely, openly, and often as you can.
- Give people space. Provide freedom to get the job done in ways that work best for them. Trust them, negotiate with them, and open your mind to really hear their requests and brainstorm creative solutions.
- Encourage people to have a life outside work. You'll get employees who show up refreshed and ready to work.
- Uncover and discover new opportunities inside your organization so employees don't have to seek them outside.

#### MINI-CASES

Senior leaders at *Synopsis* are expected to spend 30% of their time on engaging and retaining talent.

At *Fleet* bank 1,000 managers have received retention training. They have significantly reduced their turnover rate.

The credit-card company *First USA* reduced staff turnover in its call centers with career-development conversations between managers and employees.

IT executives at *AT&T Network Systems* agreed to visit more sites, expanded their recognition services, and increased the amount of training employees are encouraged to take in response to feedback from their IT staff.

*BryanLGH Medical Center* of Nebraska involves managers and employees from all functions in specific retention assignments that apply across its organization.

The retailer *Macy's West* has focused on involvement, recognition, and celebration. All managers are held accountable for retention.

#### MAKING IT HAPPEN ▶▶

- Recognize the importance of retention. Understand how people feel now and what action is needed before it is too late.
- Remember: it's more than pay.
- Customize retention strategies to the needs and circumstances of each individual.
- Be accountable: it's no good blaming someone else; if you want the person to stay, then you need to act to retain them.

- Provide training, coaching, and feedback for the managers you count on.

#### CONCLUSION

Your success depends on keeping your best people. The keys to retaining talent are known, but are unfortunately seldom practiced. If you manage others, you have phenomenal influence over their decisions to stay or go. If you have managers reporting to you, they may need help in becoming retention-focused, retention-savvy leaders. Be clear about what keeps people. Customize your retention strategies to individual needs and wants—and pass the message and method on to anyone who manages others in your organization. The success or failure of many organizations is increasingly determined by this single issue.

#### For More Information

##### Books:

Buckingham, Marcus, and Curt Coffman. *First, Break All the Rules: What the World's Greatest Managers Do Differently*. New York: Simon & Schuster, 1999.

Catlette, Bill, and Richard Hadden. *Contented Cows Give Better Milk: The Plain Truth About Employee Relations and the Bottom Line*. Germantown, TN: Saltillo Press, 2000.

Gubman, Edward L. *The Talent Solution: Aligning Strategy and People to Achieve Extraordinary Results*. New York: McGraw-Hill Professional, 1998.

Harris, Jim, and Joan Brannick. *Finding & Keeping Great Employees*. New York: AMACOM, 1999.

##### See also:

- ☆ **Creating Fun in the Workplace (pp. 37-38)**
- ☆ **Finding and Keeping the Best Talent in the World (pp. 119-20)**
- ☆ **Finding and Keeping Top Talent (pp. 33-34)**
- ☆ **Fringe Benefits (pp. 21-22)**
- ☆ **Return on Talent (pp. 109-10)**
- ☆ **Viewpoint: Christopher Bartlett (pp. 45-46)**
- ☆ **Viewpoint: Jim Kouzes (pp. 309-11)**
- ✓ **Freelancing: Setting Up As a Free Agent (pp. 814-15)**



*"The common wisdom is that. . . managers have to learn to motivate people. Nonsense. Employees bring their own motivation."*

(Tom Peters)