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Nurse Retention Wars: Part 2

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Desperation Tactic vs. Strategic Staff Loyalty Management: The Attempted Poaching of Baptist Hospital RN's, Baptist's Response, and the Outcome



As mentioned earlier, Pensacola is an extraordinarily competitive health care market. Of the three health care systems there, BHC and its principal rival account for close to 80% of patient admissions, with Baptist having a slight share advantage. Baptist Hospital, the system's 492-bed flagship facility, has low RN turnover; however, its major competitor cannot make the same claim. Consequently, the competitor was using costly part-time and agency-supplied RNs and seeking to find a quick, efficient solution to that problem.

Following RN raid concepts used in other markets, the weekend just prior to July 4th, 2002, the competitor ran newspaper ads offering an aggressive 'signing bonus' inducement to RNs in the community. The financial offer was an extra \$500 per month over a 24 month employment period. Further, if one of the competitor's employees made a referral which resulted in the hiring of an RN, that staff member would also receive \$12,000. Thus, a maximum of \$24,000 could have been paid out, per RN hire, by the competitor. This, in sum, was an attempt to 'buy' RNs.

The Monday after the ads ran, Baptist Hospital was already abuzz with activity. Nurses at the competitive health care system were calling BHC nurses, because there was an attractive immediate payoff for them if they could get Baptist nurses to jump ship. There was lots of rumor and gossip throughout Baptist Hospital, with calls to HRD from nursing supervisors. After all, there are 377 nurses on Baptist Hospital's staff, representing almost one-fifth of all hospital employees, so there was a great deal at stake.

Senior staff quickly began meeting with nurse leaders to get their direct reactions. Celeste Norris, Baptist's HR Director, did an assessment of staffing, turnover and vacancy rates, employee morale, and customer loyalty levels. Her conclusion was that, overall, staffing, morale and customer service levels were at the high levels BHC had come to expect. She also did a direct comparison of what Baptist Hospital, and the competitor, were offering nurses regarding pay (including weekend, overtime, and holiday compensation), benefits and retirement.

Baptist Hospital's President, John Heer, plus Bob Murphy, the COO, and the Vice President of Patient Care, Diane Wilbanks, started 'doing rounds', talking and listening to nursing staff, finding out firsthand how they felt about the offer. What they learned was that there was some concern over this among the nurses.

Addressing the issue head-on, the execs looked at what they could do, financially and otherwise, to counter the competitive offer. They did 'what if' scenario projections if they decided to raise salaries and/or weekend or holiday pay. Also, they checked with hospitals in south Florida, which had experienced a similar financial incentive battle situation between multiple healthcare facilities. This was a situation where rival hospitals across town both advertised \$15,000 incentives for RNs. Baptist wanted to learn exactly how it worked and if either hospital made any substantial nursing employment gains (or losses) as a result. What they discovered was that the two hospitals ended up just swapping a few nurses, i.e. a lot of turmoil and expense with little positive result on either side.

Heer was meeting with his staff twice a day to devise a strategy. Baptist's HRD group even did a little intelligence gathering on their own to help with the plan. After much consideration, Baptist Hospital decided to offer RNs modest pay raises, in addition to regular merit increases, based on years of service, called "Loyalty Pays". Weekend pay rates were also increased, and some limited referral and sign-on bonuses to match the competitor, were announced.

Emails were sent to everyone, explaining what management had heard from nurses, what they'd elected regarding a response, and reinforcing their belief in the Baptist culture. Then a department head meeting was called. Although RNs represented the largest single staff group, other key support departments – pharmacy, ultrasound, radiology, physical therapy, etc. – naturally wanted to know "How come them and not me?" Some felt that they weren't valued as much as the nurses, and the reasons for management's decisions and actions were carefully explained and discussed. Department heads were then instructed to carry the message to their staff. Calm and efficiency were quickly restored.

Every Battle Has A Conclusion.....and Lessons For The Combatants

Forty-five days after the competitor placed its ad, the result of their having spent all that money on the attempted raid was that only 9 RNs left Baptist Hospital to take full-time employment with the rival hospital. Another 7 took employment with the competitor, but stayed as 'relief' nurses at Baptist, working weekends. They wanted to maintain their ties with friends and co-workers. In the same time period, by the way, Baptist hired over 20 new full-time RNs.

One of the defecting nurses came back to Baptist Hospital almost immediately, and several others 'bounced back' somewhat later, because of the competitor's work environment. As Sandy Rogers, Vice President of Human Resources at BHC, has noted: "We're all partners. We live our values every day. We have people leave thinking they're going to find greener pastures, but they come back." When all the dust had settled, the net effect was that only a couple of Baptist RNs actually left the hospital and stayed with the competitor.

The reality is, of course, that at Baptist Health Care very few employees want to leave, and very few did, even with an extremely attractive monetary offer dangled in front of them. There's a culture of inclusion and participation at BHC which employees desire and appreciate. Money's always a part of the value employees see in their job, to be sure; but, it's the environment, training, plus the daily and long-term experience, that are so much more important to them.

At Baptist, employees respect each other's professions. It's well understood, for instance, that nurses are the direct link to the patients. They're at the bedside, the first line of patient-employee contact, like customer service reps. In a shared value and climate of 'patients come first', everyone pulls together. That's a central reason why BHC's rate of staff turnover continues to go down.

Just as lower pricing, alone, is both a one-dimensional strategy and historically poor ploy for marketers, employers have to realize that salary and benefits, alone, are only a small part of the employee's 'value equation'. Employees want enrichment. They want inclusion. They want communication and participation. They want training. They want recognition. They want to have pride in where they work. They want management to lead by example.

Two research firms, Walker Information and Hudson Institute, recently joined forces to conduct a nationwide employee loyalty study to better understand what employees value over the course of their working lives. Their results confirmed that true staff loyalty is in short supply:

- Only 24% of employees consider themselves truly loyal, committed to their organization and its goals, and planning to stay at least two years.
- 33% of employees were high risk, not committed and not planning to stay.
- 39% were classified as trapped. They plan to stay, but are not committed to their organization.

Among those who felt they worked for an ethical organization, 55% were truly loyal. For those who didn't feel they worked for an ethical organization, the loyalty figure was 9%.

The 72% of employees at risk or trapped represent another key, yet less explored, concern for companies. The lack of employee commitment frequently translates to being out of alignment, with each other and with customers, in executing the company's mission, goals, values and strategic objectives. In other words, what they are doing on the job can be counterproductive and damaging, irrespective of tenure.

Since the issues impacting customer loyalty and commitment to a supplier are often highly correlated with staff productivity and proaction, optimizing employee loyalty and alignment becomes doubly important. Staff, like customers, have to see value in continuing to be part of their organizations. Otherwise, it becomes easy for them to leave

or be lured away.

Firms pay a big price for staff defection. For starters, when employees defect customers are often soon to follow. Recent customer defection studies have shown that roughly 70% of the reasons customers leave can be traced back to issues related to staff turnover. And staff turnover often leads to more staff turnover. The departure of a valuable employee can send 'shock-waves' through a company culture leaving remaining staff demoralized and disillusioned. If there was a trend toward misalignment, high staff turnover will only cause it to increase, making the spiral more intense.

Replacing the departed employee is expensive. Human resource executives estimate that when all factors are considered---the recruitment fees, the defector's lost leads and contacts, the new employee's reduced productivity while learning the new job, and the time and energy co-workers spend guiding that employee---replacement costs are estimated at approximately 150% of the departing person's salary.

Misalignment, too, carries a high price tag, though it's more challenging to isolate and estimate than the loss of an employee. A lack of alignment can be seen in places like the organization's style and culture, staff communication, teamwork, and information flow, service to/focus on customers, level of training offered, productivity and efficiency, and management effectiveness.

Having reviewed hundreds of traditional employee satisfaction surveys over the years, and carefully studying how the results have been applied by companies, it's clear that the vast majority of them are about as inefficient and ineffective at providing direction to corporate and HR management as their customer satisfaction survey research cousins. Our organization is internationally known for leadership in customer-related marketing research and program effectiveness measurement. Drawing, as well, on our extensive HRD background, we have applied similar thinking and concepts to the development of customized, highly actionable research tools for assessing both staff's loyalty and their alignment with company goals and objectives.

Staff satisfaction research, which principally measures employee attitudes, was a more acceptable analytical tool when times were simpler, and the demands on employees and companies were less intense. Employee satisfaction survey results tend to correlate poorly with true staff loyalty, so its utility as an engine for action and improvement was never strong and has significantly declined. We are now much more focused on evaluating deeply held employee perceptions, as well as understanding the impact of these perceptions on staff loyalty and alignment with company goals, particularly those involving customer loyalty.

Managing the employee lifecycle is much more than simply managing employee crisis points and understanding employee satisfaction. It's about laying a strong foundation that helps preempt employee defection issues before they even occur. That means creating a culture within the organization that nurtures staff loyalty from the moment the new hire

walks through the door and throughout the lifecycle of the employee.

The good news is that employees, by their very nature, desire to be part of something bigger. As Fortune Magazine columnist Thomas Stewart has said, "Human beings want to pledge allegiance to something. The desire to belong is a foundation value, underlying all others." At Baptist Health Care, a world-class staff and customer loyalty culture has been built around the goals of world-class service and organizational excellence. Without question, it's a culture where staff feel they belong and can pledge allegiance to these important core values.

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