

Hang on Loosely

The Common Sense of Retention



Easy come, easy go. For years companies accepted employee turnover as part of the cost of doing business. Some companies, lulled into complacency by a sleepy economy, a surplus of workers, and the belief that they can hire a replacement at a lower salary, still do.

Experts predict that as the economy continues to strengthen those companies are in for a rude awakening. Workers, weary of having to do more with less and irritated by the lack of growth opportunities in their current job situations, are quietly networking over lunch or at their kids' soccer games looking for something better. Estimates for just how many are considering changing jobs range from 30 to 86 percent¹, which means it could be anything from seriously disruptive to devastating for some companies.

The surplus of workers that companies have come to rely on in the last few years is temporary at best. The Bureau of Labor Statistics is forecasting a labor shortage of six million workers by 2008; it is also projecting that much of the shortfall will involve professional and service occupations, which will increase the fastest and add the most jobs.² The labor shortage will continue to increase until sometime between 2015 and 2025, when there will be between 10 million and 16 million fewer workers than there are jobs.³ Charles Kolb, president of the Committee for Economic Development, a group of business and education leaders that conducts policy research in Washington, told the *New York Times*, "This is a sleeper issue. We do have a demographic time bomb."⁴

And what about the cost of replacing workers? To drive home the reality of that cost, Beverly Kaye, coauthor with Sharon Jordan-Evans of *Love 'Em or Lose 'Em: Getting Good People to Stay*, tells a true story about John, an outstanding engineer at "XYZ Company" who asked for a 15 percent raise (about \$15,000). His manager refused, and John went to work for a competitor for 30 percent more than he had been making. To find a replacement of equal caliber, XYZ hired a headhunter for \$40,000 and spent \$5,000 flying candidates in for interviews. It then wooed its top candidate by offering a \$10,000 signing bonus, a \$25,000 moving allowance, and a salary that was 25 percent higher than John's. In order to keep John's engineering friends, who had heard about how much more he was making at his



new company, the company gave them each 15 percent raises. The cost of replacing John now hovered around \$100,000. But then, because of John's expertise, the new company won a multibillion-dollar contract that would have gone to XYZ.

While this is an unusual case (an individual employee isn't often worth literally billions to the bottom line), Kaye's point is that most companies don't have any idea what turnover costs them. "Managers seldom [calculate the cost of turnover], because then they would have to look for the real causes of turnover or find somewhere to place the blame," writes Kaye. "They might even begin to create retention strategies, and most managers just don't want to do all that."⁵

It's not that managers are lazy; they simply know intuitively that the reasons employees stay or go are complex. To understand those reasons, managers have to be willing to continually listen to employees, and that takes what managers have least of—time. What they either aren't aware of or often overlook is that it actually takes more time to find a replacement.

Some companies have accepted that there will soon be a shortage of qualified people and are starting to address it by strengthening their employer brand, hoping to attract top talent (defined by Kaye as "anyone who would cause a disruption in meeting your customer needs by leaving, which includes solid performers"⁶) and keep the talent that they have.⁷ Their goal is to become an "employer of choice." Done right, branding efforts can help companies that already have strong cultures attract people who are most likely to fit the culture. Once a new hire signs on, expectations meet reality. The way a new hire experiences a company's reality is largely through her manager. That's why "a company's reputation as an employer of choice is only as strong as its individual managers," says a *Harvard Management Update* article based on *Manager of Choice: Five Competencies for Cultivating Top Talent*, by Nancy Ahlrichs.⁸ "A company cannot become an employer of choice unless it has managers of choice."

While the Human Resources Department has a role in retention—setting the context for retention through people policies and practices—retention is also the responsibility of individual managers. Unfortunately, managers have a lot of misperceptions about what people want from their jobs. Research into the issue conducted in

1946 found that managers say "good wages" and "job security" are the things employees most want. (Others have since repeated the study four times, most recently in 2001, and obtained similar results.) Employees themselves, however, say that "appreciation" and "involvement"—items that managers ranked as number 8 and number 10 in importance, respectively—were what they most want.⁹ A survey of why people leave (conducted by Drake Beam Morin, an international human resources consulting firm) found that pay was the fourth most frequently cited reason, behind lack of career path, lack of advancement opportunities, and long working hours.¹⁰

The misperception that throwing money at employees will get them to stay persists, in part, because money *is* important, to a point. Like benefits and working hours, pay is considered as a "hygiene factor," those things that meet physiological needs.¹¹ The workplace itself has also traditionally been regarded as a hygiene factor. Progressive companies have found that facilities can do much more than just protect workers from the elements. Facilities can reflect and reinforce corporate culture and enhance employee satisfaction.¹² While a person may take a job based on pay or benefits or the company's image, however, she isn't likely to stay in the job unless motivating factors—those things that typically lead to satisfaction, such as achievement, the work itself, responsibility, and growth—are also in place.¹³

In a diverse work force, those motivators will vary widely, but determining what they are is critical to retention. That's because motivation leads to engagement, and an employee immersed in satisfying work is not going to feel the need to look elsewhere. Thirty years ago, Edgar Schein, one of the pioneers of the concept of corporate culture and author of numerous texts on the topic, introduced the idea that people are motivated by one of eight "career anchors—priorities that define how they see themselves and how they see their work."¹⁴ Once a person's career anchor has been identified, it's easier to understand what he wants from work, and then try to give it to him. Here are the career anchors, as identified by Schein, and some ideas about how to keep individuals motivated.¹⁵

Technical/functional competence—An expert that's always striving to be the best engineer, human resources manager, or salesperson he can be. He wants the opportunity to get even better. Send him to conferences and training and give him the chance to meet other top performers in his field.



General managerial competence—A generalist with an interest in and knowledge of many areas. She wants to climb the ladder—and she wants the perks that go along with it. Give her exposure to those who are in more senior positions. If you can't offer more money and a better title, look for "secondary career anchors" she might respond to and engage her through those.¹⁶

Autonomy/independence—A loner. He'd much rather be free to do his work unencumbered by rules than be made a vice president. It may be counterintuitive, but the most effective way to keep him engaged is to stay away from him and let him do his job.

Security/stability—A loyal corporate citizen who appreciates the order that policies and procedures bring. What she really wants, in addition to knowing what's expected of her, is job security. That's impossible to guarantee, so cater to her sense of loyalty instead, says Field, and find ways to show her she's appreciated and valued.

Entrepreneurial creativity—A creator who's not satisfied unless he's thinking up the next big thing. He wants to be able to make it happen, and he wants money "not for its own sake, but as a visible sign [he's] accomplished something big."¹⁷ Support his efforts as much as you can and let him move on to the next thing.

Sense of service—Someone who longs to draw an even larger sense of meaning from work than the average employee. He wants work-related opportunities that allow him to live out his values. Provide these opportunities, such as responsibility for coordinating your organization's community service projects, and be explicit about the connection between the work and his values.

Pure challenge—A conqueror. The next project needs to be more challenging than the last. "If you keep throwing challenges their way, they'll know they've done good work," writes Field.¹⁸ "For these people the challenge is the reward, so don't go overboard with words of praise. Just get them going on the next job."

Lifestyle—A work/life juggler who values a job with enough flex that he can have a life outside of work. Put a premium on getting the job done, not on putting in "face time," and give him time off for a job well done.

The notion of different strokes for different folks isn't new, but companies who want to keep their best employees are considering it anew. Other than showing appreciation on a regular basis, there isn't one thing that will motivate every person. The best way to find out what keeps an employee engaged and motivated is to ask him. Says Scott Cohen, national practice leader of talent management at consulting firm Watson Wyatt, "Find out what tangible and intangible things they value—whether it's more visibility or assignments that will stretch their own skill sets so they are more marketable—and give it to them."¹⁹ Kaye recommends using a "stay" interview to ask, "What can I do to keep you on my team? What part of your work do you find enjoyable? What might make your work life easier? What could I do to be more supportive or help you be even more effective?" Managers need to "listen deeply, with an intent to figure out collaboratively what's important to the person, what's getting in the way of him being satisfied at work, and then addressing it."²⁰

Managers also need to find out what the person wants from his career, since the degree to which a person feels that he is making progress toward career goals is a significant factor in whether or not the company can retain him. Once a manager has collected all this information, she must be honest about which things the manager can do something about and which things she can't. When there is something she can't change, she can ask, "What else can I do?" Employees appreciate that the manager is trying to find another way.

Not only do different people want different things, but what each wants may change over time. A new college graduate might have a "general managerial competence" anchor until he marries and has children. Then his anchor might change to "lifestyle." A woman who craves challenges at work might, when faced with cancer, start valuing stability instead. Furthermore, the work force is becoming more diverse. The number of Asian/non-Hispanic workers is expected to grow 40 percent; Hispanic 37 percent; and Black/non-Hispanic 20 percent.²¹ That's why asking employees what they want is so critical. The 2003 Towers Perrin Talent Report bears that out: "Knowing what reward elements count to employees—and when—can make all the difference in structuring a total rewards program that brings in the right people, keeps them, and secures their discretionary effort over time. No single reward element, or even a single combination of elements, can effectively do all three."²²



The Harvard Business Review imagines that, in the future, “Key employees might undertake a formal self-assessment of their work and non-work goals and of how those goals could best be achieved in the context of the company’s operations. The assessments would form the basis for individual employment agreements, which might be created using cafeteria-style programs similar to those used in allocating employee benefits.”²³ Under that model, an employee would receive an allotment of money (determined by their skills and experience, perhaps, or by the importance of the employee to the company) to spend as they choose by taking a sabbatical, for example, or buying a cutting-edge add-on for their computer, or attending a conference with the top expert in a certain field.

Until that future is realized, however, managers will have to shape the policies and procedures on behalf of their workers on a case-by-case basis, wrestling to obtain what motivates each of them, which won’t necessarily be what someone else is getting. That takes courage on the part of the manager, who may feel more comfortable hiding behind policy. “Too often we let managers cry ‘protocol,’” says Kaye. “We let them weasel out of why they don’t meet an employee’s need. We say that employees will complain [when they don’t get the same thing as another employee], but usually they will not. They won’t want what another person wants because they are a different person.”²⁴ If each person knows that the manager is at least trying to help her get what she most wants from work, there are less likely to be complaints of unfairness.

But even the most outstanding manager can’t help an employee who doesn’t know what he wants or how to ask for it. Employees have a responsibility to get clear about where they are not satisfied, what’s missing for them, and how to have a productive conversation about it, instead of whining by the water cooler. That’s easier said than done, and some people give up on their companies without trying to change the things they don’t like about their jobs, only to find that building up equity someplace new is more difficult than they had thought. “People jump ship without realizing what they are leaving,” Kaye says. “They think the grass is greener but often it’s Astroturf.”²⁵ People are aware of financial equity but often overlook other kinds of equity they build up in a job—skill equity (knowing how to employ skills in a certain work setting); influence equity (knowing how to negotiate the organizational chart); and social equity (knowing people to turn to for support and help).

They may even be deceiving themselves about why they are leaving. People may say they are leaving for more money (another reason for managers’ misperception that more money is a cure-all) for what looks like a better opportunity, but the research that Kaye and Jordan-Evans did showed that the reason underneath the stated reason was dissatisfaction with the employee-manager relationship. “We heard, ‘He or she didn’t recognize me, understand me, or show me what was possible for me in that organization,’” says Kaye.²⁶

Sometimes it’s okay to let people move on. “If your turnover rate is zero, you’re keeping people you shouldn’t be,” says Tracy Brower, an organizational strategist at Herman Miller. “The right answer to the retention question is to retain the *right* people.”²⁷ The right people are people who are a good fit with the company and who are engaged, or can be with a little effort. Those who aren’t should probably move on for their own good and the good of the company. They aren’t always motivated to, however. The Towers Perrin research showed that half of those workers “disengaged from their work” are open to other opportunities but are not actively looking. “This suggests that a company could have a very large group of people not only marking time themselves, but [also] adversely affecting performance by spreading their own negative views and behaviors to others. Retaining the disengaged—for however long—has as serious potential consequences for [corporate] performance as losing the highly engaged.”²⁸ Termination is a part of the retention story, says Brower, and companies have to be willing to let certain employees go: “Those who stay need to see that those who don’t fit or don’t perform are held accountable.”²⁹

At the most basic level, retention is about needs—the needs of a company for a certain type of individual and a certain set of skills and the needs of an individual to contribute in a meaningful way (however he defines “meaningful”) and feel connected to something bigger than himself as he earns a paycheck. “As long as the company’s needs and the employee’s needs are being met, there will be retention,” says Brower. “As soon as one set of needs isn’t being met, the balance is out of whack, and an employee no longer stays with the company or the company no longer stays with the employee.”³⁰

With the company's and the individual's needs always fluctuating, the manager must be the bridge between the two sets of needs. It has always been the role of the manager to communicate the organization's mission and strategic direction to team members. Now, at the beginning of the buildup for the real war for talent, it's the companies with managers who know the organization's needs, the individual's needs, and how to connect the two that will be in the best position to win. Sometimes that's going to mean letting a good employee leave the department for another role inside the company so that she doesn't leave the company altogether. "In order to retain people who are really good, and allow them to do the most good for the company, you can't limit their job opportunities," says Brower.³¹ "Letting someone go so that they'll stay sounds paradoxical, but it makes a lot more sense than losing good people. The key is to hang on loosely."

Notes

- 1 The lower figure comes from Scott Cohen, Watson Wyatt, in a phone interview, April 29, 2004. The higher figure is from Monster.com's Work/Life Balance Survey, August 3, 2004, cited at http://ir.monsterworldwide.com/ireye/ir_site.zhtml?ticker=MNST&script=410&layout=-6&item_id=599759&sstring=89~percent.
- 2 Bureau of Labor Statistics press release, February 11, 2004, cited at <http://www.bls.gov/news.release/ecopro.nr0.htm>. The release also notes that nine of the ten fastest growing professions are health or computer (information technology) occupations.
- 3 Jeff Brown and Lindy Williams, "The 21st Century Work Force: Implications for HR," in *Human Resources in the 21st Century*, (John Wiley & Sons, Inc., Hoboken, NJ, 2003) edited by Marc Effron, Robert Gandosy, and Marshall Goldsmith, 19.
- 4 Eduardo Porter, "Coming Soon: The Vanishing Work Force," *The New York Times*, August 29, 2004.
- 5 Beverly Kaye and Sharon Jordan-Evans, "The High Cost of Talent Loss," cited at www.careersystemsintl.com.
- 6 Beverly Kaye phone interview, September 13, 2004.
- 7 For more on employer branding, see "Mutual Attraction: How to Get the Attention of Top Performers Who Fit," another Herman Miller research summary. <http://www.hermanmiller.com/CDA/SSA/WhitePapers/0,1599,a10-c77-k22,00.html>
- 8 Loren Gary, "Do People Want to Work for You?" *Harvard Management Update*, Harvard Business School Publishing, 2004, 3.
- 9 Foreman Facts, Labor Relations Institute of New York, New York, 1946, as cited at www.employee-retention-hq.com. Others have repeated the study and obtained similar results in 1980, 1988, 1991, and 2001.
- 10 Ron Elsdon, "Dispelling the Myths about Employee Retention," cited at www.hr.com.
- 11 Frederick Herzberg put forth his Motivation-Hygiene Theory (Two-Factor Theory) in his classic text, *The Motivation to Work*, 1959. Cited at www.netMBA.com.
- 12 "Effects of Work Environment Design on Employee Behavior and Business Process: The Marketplace Building," a confidential report by Herman Miller, Inc., Global Customer Solutions, June 2002.
- 13 Herzberg.
- 14 Anne Field, "Getting a Handle on Employee Motivation," *Harvard Business School Working Knowledge*, October 20, 2003, cited at http://hbsworkingknowledge.hbs.edu/item.jhtml?id=3739&t=career_effectiveness. Originally printed as "Speak to What Drives Them" in *Harvard Management Communication Letter*, September, 2003.
- 15 *Ibid.* The career anchors are set forth by Schein, but the ideas for keeping employees engaged are Anne Field's.
- 16 *Ibid.*
- 17 *Ibid.*
- 18 *Ibid.*
- 19 Scott Cohen phone interview, April 29, 2004.
- 20 Beverly Kaye phone interview, September 13, 2004.
- 21 Brown, et al., 19.
- 22 "Understanding What Drives Employee Engagement," *The 2003 Towers Perrin Talent Report*, 24.
- 23 Peter Cappelli, "Rethinking Employee Retention in a Competitive Economy," cited at www.hbsworkingknowledge.hbs.edu, excerpted from the article, "A Market-Drive Approach to Retaining Talent," in the *Harvard Business Review*, January/February, 2000.
- 24 Beverly Kaye phone interview, September 13, 2004.
- 25 *Ibid.*
- 26 *Ibid.*
- 27 Tracy Brower phone interview, September 2, 2004.
- 28 *The 2003 Towers Perrin Talent Report*, 21.
- 29 Tracy Brower e-mail exchange, April 3, 2004.
- 30 *Ibid.*
- 31 Tracy Brower phone interview, September 2, 2004.