

# Retaining Key Employees

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**R**etaining key employees is a number-one problem. A solution will mean more profitable and effective organizations, happier and more productive employees, and more satisfied client/customers. Losing employees also is expensive.

Studies have found that the cost of replacing lost talent is 70 to 200 percent of each lost employee's annual salary. There are advertising and recruiting expenses, orientation and training of the new employee, decreased productivity until the new employee is up to speed, and loss of those customers, clients, or citizens who were loyal to the departing employee. Finding, recruiting, and training the best employees represent major investments. Once an organization has captured talented people, its best return on investment (ROI) requires closing the back door to prevent them from walking out.

We believe that the key role of human resource development (HRD) personnel is to lead in the talent war, on behalf of their organizations. Human resources people must be the designers of systemic retention processes, and they must be strategic thinkers. They must see the big picture and then identify and point out the ramifications and real costs of talent loss. The day-to-day responsibility for keeping talented people, however, falls to managers and line employees, who must recognize their powerful role in the talent battle. HRD must lead the process, not own it.

The particular challenges are to wake line managers up to the power and responsibility they have and then to give them the tools for the tune-ups they need to do. Some managers are natural retention experts; others need help. Most of all, they need to become conscious of their critical role in retaining talented employees. They need to be held accountable for building a retention culture in their teams and in their departments.

**Ask: Which Way Did They Go?**

If it's the job of HRD professionals within local governments to lead retention efforts through line management, the first step is to find out where line managers stand on the issues. Are they savvy about why people stay and what entices them away? Do they have stellar retention records? If so, the job of an HRD person may be just to reinforce what's already going well. Be certain that excellent retention managers are rewarded and that their stories are used as examples.

But if your organization is more like the norm, there will be line managers who are clueless about what people really want and what makes them vulnerable to talent theft. According to the *Harvard Management Update* (June 1988), nine out of 10 managers think people stay or go because of money. We know that's not the case. Money and perks matter, but employees tell us again and again that what they want most are challenging and meaningful work, good bosses, and opportunities for learning and development.

A 1999 Hay Group study of more than 500,000 employees in 300 companies found that, of 50 retention factors, pay was the least important. Our own research among more than 2,000 respondents from diverse industries and functions shows similar results. Here are the most common reasons respondents gave for wanting to stay with an organization:

1. Career growth, learning, and development.

**Figure 1. The Costs of Loss**

Item	Cost
Newspaper ads	
Search firm	
Interview expenses: air fares, hotels, meals, etc.	
Manager's and team members' time spent interviewing	
Work put on hold until replacement is found	
Overload on team, including overtime to get work done during selection and training of replacement	
Orientation and training time for replacement	
Lost clients	
Lost contracts or functions	
Lowered morale and productivity; time spent talking about it around the water cooler	
Sign-on bonus and other perks	
Moving allowance	
Loss of other employees	

2. Exciting work and challenge.
3. Meaningful work, making a difference and a contribution.
4. Great people.
5. Being part of a team.
6. Good boss.
7. Recognition for work well done.
8. Autonomy, a sense of control over one's work.
9. Flexible work hours and dress code.
10. Fair pay and benefits.

Ninety percent of the respondents cited at least one of the first three items as primary.

Once people attain a certain level of material comfort, they care most about what they do every day and whom they do it with. They care about the content of their work and whether there are opportunities to stretch and grow in the job and in the organization. They want feedback, recognition, and respect from their bosses.

So research says one thing, yet managers often believe something else. Find out what your line managers think. Do you, as a top manager, view people as overhead or as capital assets? As easily replaced or as resources to guard and protect? What do you think keeps people? What do the line managers think their role is regarding retention?

Once HRD knows these views, it can design its own retention strategy. It needs

to diagnose gaps and design critical support structures, help prepare managers to become owners, and build evaluation and accountability systems. Each step is critical in its own way; each requires the attention of an HRD professional (or key management person) in order to achieve a substantial return on investment.

**Diagnose Gaps, and Design Crucial Support Structures**

What does HRD want? What data does it have? Where is the gap in your organization? How can HRD help close it? As basic as this sounds, this is where you need to start. Decide what should be assessed, and lay out a plan to help conduct the assessment.

**Step 1. Collect and analyze all turnover and exit-interview data.**

Just remember that exit-interview information is valid only if the departing employee trusts the interviewer(s), both administrative and HRD. HRD should run some numbers, assess the costs of losing key talent, and use this list (see Figure 1) as a starting point, adding to it as more is learned.

**Step 2. Conduct a survey.** To learn organizational beliefs about retention,

## The Retention Task Force

### Mission:

To build and strengthen the retention of talent in the organization.

### Specifications

- Representation from multiple organizational levels.
- Representation from all functions.
- Two-year minimum tenure.

### Rewards for Participation

- Rotational assignment and cross-organizational exposure.
- Development opportunity or skill development.
- Visibility.

### Potential Activities

- Assess teams, functions, and departments for retention probability and retention risks. Design surveys, conduct interviews and focus groups, hold one-on-one meetings with key people who are at risk.
- Give feedback to constituents.
- Brainstorm solutions and retention strategies with constituents.
- Identify and implement programs and processes to build retention strength: manager training, individual coaching, career development, one-on-one coaching programs for high-retention-risk people, and accountability mechanisms for all managers.
- Benchmark other organizations with high retention rates, especially "competitors." Compile reports and disseminate information.

including role and accountability, HRD should ask managers at all levels. Then, it should compare what mid-level managers think with what supervisors and senior leaders, such as the local government administrator, think.

**Step 3. Organize and conduct a "future-pull" session.** Leap ahead one year, imagining that your senior team is celebrating an ideal future state for talent retention. Brainstorm, and write down the projections. For example:

- "We've retained 95 percent of our top talent."
- "We're known as having a retention culture."
- "Good people are banging at our doors."
- "Customer retention rates have increased 10 percent in one year."

Encourage senior managers to write long lists of descriptors. Then, lead the team in an analysis to identify the current organizational realities related to retention. Be sure to include numbers and costs wherever possible, such as "We lose 15 percent of our talent a year" or "We're constantly orienting and training replacements."

Gaps between potential and current states will become quite clear. Help the team identify obstacles to achieving the desired future state, such as supervisors who are ill equipped to be retention managers, lack of a retention mindset in the local government, or no development or career management programs. Last, ask the team to brainstorm till it has compiled a long list of potential strategies for closing the gaps.

### Step 4. Gather input and insight from focus groups and interviews.

Your local government's HRD people might use the future-pull approach with focus groups representing multiple levels and functions in the organization. The goal would be to get input from many and diverse stakeholders. They might ask these questions either in one-on-one interviews or in focus groups:

- What do you feel is unique about your retention situation?
- What works *for* you, what works *against* you?
- What is your hunch about why people stay?
- Tell us a story about one person who left recently. How did it happen? What did it cost in money and other losses? Could anything have been done to prevent it?
- What keeps *you*?

### Step 5. Compile and position data.

HRD should use all of the information from the turnover and exit-interview assessments, the line-management belief surveys, the senior-team meeting, and all focus groups and interviews. Human resources people should then give the senior team feedback and present recommendations for the next steps.

While they are conducting the diagnosis and beginning to design retention strategies, you as a senior manager may want to suggest putting some ongoing support structures in place. Two such solutions are a retention champion and a retention task force. Either of these would help make the retention process more sustainable.

### Step 6. Tap a retention champion.

As a retention dilemma grows, it's important to craft a new job position and place someone in charge of designing ongoing retention strategies. This retention champion would have the primary and ongoing goal of addressing retention issues and implementing a variety of solutions, depending on the needs of various client groups. The more this person can interact with such other professionals as recruiters and trainers, the better. And the more access he or she has to line managers, as well as to individual contributors, the more effective the retention champion will be.

A local government might appoint rotating retention champions in all departments or a retention tribunal made up of three key champions representing the retention issues of individual contributors, supervisors, and mid-level managers.

### Step 7. Appoint a task force.

Although senior leaders sometimes feel they must manage the retention battle by themselves, it's vital to get help from a mixed group of managers and employees who can study turnover issues and work together.

Publishing a retention task-force charter in an organization newsletter or distributing it to division heads and asking for recommendations might be all

that's needed. The task force can turn the charter into a more tailored mission statement. In fact, these two items would form an excellent agenda for the first meeting.

## Prepare Managers to Become Owners

Until line managers are seen as the owners of the retention issue, they won't see themselves that way. They'll continue to point their fingers at you in senior management. They'll continue to abdicate their role and accountability for the talent that wanders out the door, costing the local government thousands or millions of dollars every year. HRD needs to acknowledge and teach a new view that anyone who manages anyone is ultimately responsible for hanging onto that critical organizational asset. How is this to be done?

Managers should see the research about what factors keep good people. They'll quickly notice that many of the items are within their own influence or control. They'll see that it's not just about money. Show them the numbers, what it costs to lose one talented member of the team. If anything should spark an interest in line managers, it's finding a way to improve performance and thus the bottom line.

Managers can be taught to evaluate their strengths and weaknesses as retention managers and help them get stronger. Remind them of such simple things as showing respect, listening, and recognizing, which they probably know how to do but have become too busy to bother with. Think about it: if they don't have time for these things, how will they find the time to replace people? Teach supervisors new skills, such as how to hold a developmental appraisal, rather than a performance appraisal, discussion with employees.

Retention managers have several characteristics in common:

- A selection and development mindset.
- A management style that breeds loyalty.
- A tendency to create a work environment that people love.

## Hail the Retention-Champion Approach!

**Goal:** To provide a resource to employees and managers as the local government strives to build and maintain a strong retention culture.

### Experience and Competencies of Champion

- Has strong interpersonal skills.
- Is trusted and respected in the organization.
- Is motivated to do the work.

### Responsibilities

- Roams the organization, watching and listening for signs and symptoms of retention risk. Brings this information to the retention task force in order to brainstorm remedies.
- Looks for managers doing a great job of retaining talent. Brings this information to the task force for the purpose of rewarding these managers and learning from them.
- Researches new ways to retain people and brings this information to the task force.
- Asks a lot of questions of managers and employees. For example: "What keeps you here?" "What would entice you away?"
- Serves as a confidant to employees with complaints and concerns about their managers or the organization.
- Does all exit interviews or reviews them, and reports on results to all divisions.
- Meets or talks with recruiters to learn what new employees are asking and to coach recruiters with some retention-based questions.
- Provides liaison between recruiters and managers, to translate retention recommendations for new employees.

Each capability is a powerful retention strategy. When combined, they're a force that can really go the distance.

## A Selection and Development Mindset

Managers who are successful at building strong teams always start by doing a great job of selecting people who fit well into the organization in terms of technical skills, leadership competencies, personal traits, and values. Getting the right person in the job in the first place dramatically increases the odds of keeping him or her.

Once the right people have been hired, retention managers link arms with employees to look constantly for ways to support their growth and to enrich and enliven the work. They mine opportunities with these people to learn new things or to get them to do more of what they love to do. Retention managers link their talented people to mentors or feedback providers, to leaders up the ladder, and to colleagues in other departments.

Retention managers help employees to recognize their multiple options for career steps other than directly up, and they serve as mentors in the strongest sense of the word. They model the behaviors they want to see, they encourage and nurture daily, and they teach the real story about the organization. Their employees are more likely to stay and succeed because of the mindset and the strong beliefs their managers have about "people development."

## A Management Style That Breeds Loyalty

Research by the Saratoga Institute has shown that 50 percent of work-life satisfaction stems from the relationship a worker has with his or her boss. It stands to reason that a manager's style affects retention in a big way. So, what are the elements of a style that breeds loyalty, especially in an era when corporate loyalty is supposedly dead?

Retention managers are truth tellers and feedback providers, in a way that's

## Figure 2. "Space"-Friendly?

Read the following scenarios, imagining that you are the supervisor of the person expressing these intentions or preferences. Think about your responses to the requests. Decide when you would say yes or no, and why. Use the scoring box below.

1. I want to adjust my work schedule three days a week for personal reasons, to come in half an hour earlier and leave half an hour earlier.
2. I want to get this task done in a brand-new way, not like you have ever seen it done before.
3. I want to complete the first five steps of this project before I have you review it with me.
4. I want to try a new technique, one that I'm more comfortable with.
5. Instead of taking that class you recommended, I found a mentor from whom I want to learn that skill.
6. I just took some great pictures on my vacation and want to put them on my cubicle walls.
7. I want to work from home two days a week.
8. I plan to work on Saturdays for a few weeks in order to get a project done on time, and I want to bring my (well-trained) dog to work with me.
9. I want to wear casual clothes to work rather than a business suit. I'm more comfortable and creative in my jeans and tennis shoes.
10. I know we've always done these projects solo, but I want to put together a team this time because I believe we will do a better job, more quickly.
11. I want six weeks off without pay to begin building my own house.
12. I want to bring my new baby to work with me for the first six weeks.

### Scoring Box

Your Response	1	2	3	4	5	6	7	8	9	10	11	12
"Sure, no problem."												
"No way."												
"Let me see what I can do."												

Count your scores across the columns, then think over those that fall in the "no way" category. How could you be more flexible and give more space?

honest and yet respectful. Preserving the dignity of others matters greatly to these managers. They also respect differences and value diversity on their teams. They tend to be great listeners. They ask probing questions and work hard to find out what might be troubling an employee or to help talented people find solutions.

Retention managers reconsider the rules when an employee asks for something new or outside the policy manual. They think "outside the box" much of the time, especially to accommodate the needs or wants of their people. Retention managers will give power and the spot-

light to talented people without a second thought, and they look for innovative, customized ways in which to reward and recognize them. These managers also watch their own behavior under stress or when backed into a corner. Put simply, they are the opposites of those managers whom people think of as jerks.

### A Tendency to Create a Work Environment That People Love

A line manager has more to do with creating the work environment than he or

she may realize. Retention managers evince an environment within their own function, department, or team that's nurturing and enjoyable. They invent or at least support fun in the workplace. People know they'll have some laughs and camaraderie when they show up.

Retention managers support work about which employees are passionate, and they'll partner with their people to adjust the work if it's missing the mark. They encourage employees to have balance in their lives and guilt-free departures at the end of a day. They care about workers' private lives (without prying) and ask about their hobbies, families, and life away from work. They encourage wellness and can produce less stressful workplaces.

Retention managers communicate often and honestly with their people and in turn encourage them to provide information and feedback. They care about employees' values and strive to align them with those of the team and the organization. Retention managers give employees freedom to work in their own creative ways.

Never has the pressure on managers been greater to give their talented people "space" to be self-directed, to manage their time and work, and to think in new ways. Space in which people can design their own workplaces, take breaks, or enjoy flexibility and freedom in how they dress or where they get their work done. A space-friendly assessment lets managers take a look at their own tendencies and begin to ponder space-giving strategies (see Figure 2).

In some organizations, every request for freedom and flexibility receives a positive response. In other organizations, each gets a negative response. None of the latter type of organization would get on outstanding-employer lists; they have great difficulty in recruiting and retaining talented employees, no matter how well they pay. Ultimately, they lose their best people. Managers need to be engaged and to care about their ability to give space to their people.

Retention managers do something

else quite well: they customize their retention remedies to each employee. How? They remember to ask, "What will keep you here? What might entice you away? What matters most to you? What can I do to hang on to you?" It seems so simple, so obvious. Yet it is not always done.

### Build Evaluation and Accountability Systems

As with any good organizational process or program, it's essential to stop along the way and evaluate the way in which things are going. Is the task force working? What about the sponsorship of the senior management team? Is the retention champion the right strategy, and has the role been given to the right actor? If any of these answers is no, it's time to go back to the drawing board.

What about accountability? Are your line managers being held responsible

for selecting and keeping talented people on their teams? If they lost a \$10,000 piece of equipment, wouldn't they have to answer to someone? Hold them accountable for losing human assets worth that much and more. We know of a CEO who charged \$30,000 to a manager's operating budget because he needlessly allowed a talented person to leave. Now, that's what we call holding someone accountable.

We're not suggesting that line managers be punished when their people are promoted or move on to learn something new. It's inevitable to lose some talented employees, especially as they pursue their career dreams. But we do recommend that line managers be held accountable for being good retention managers and for generating a retention culture and an environment in which people feel motivated, cared about, and rewarded.

So, take a look at your accountability

mechanisms. Your reward systems need to support a retention culture. Consider looking at line managers' turnover rates. Learn more about how they are viewed by lower-level employees.

A local government's greatest assets are its employees—a fact that will continue to be the case in the foreseeable future. **PM**

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**PM**

## Eighty Percent of Local Governments Provide Managers with a Personal Computer

	No. Reporting	Local Government Provides Personal Computer			
		Yes		No	
		No. (A)	% of (A)	No. (A)	% of (A)
Total	3,186	2,545	79.9	641	20.1
Population					
Under 2,500	343	253	73.8	90	26.2
2,500-4,999	614	471	76.7	143	23.3
5,000-9,999	628	507	80.7	121	19.3
10,000-24,999	738	591	80.1	147	19.9
25,000-49,999	406	328	80.8	78	19.2
50,000-99,999	245	210	85.7	35	14.3
100,000-249,999	139	119	85.6	20	14.4
250,000-499,999	43	40	93.0	3	7.0
500,000-1,000,000	21	17	81.0	4	19.1
Over 1,000,000	9	9	100.0	-	0.0

*Source: Information from ICMA's 2000 State of the Profession-Fringe Benefits Survey and compiled for Compensation 2001, An Annual Report on Local Government Executive Salaries and Fringe Benefits, which will be published by ICMA in March 2001. Copyright 2001.*