

BEST PRACTICES FOR KEEPING YOUR BEST PEOPLE

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REWARDING TALENT

No matter where you look, what you read, or who you're listening to, when it comes to best practices for employee retention, you will find some common themes. Take for example, studies performed by the Center for Work-Life Policy in New York¹ which show that there are at least a half dozen types of rewards that workers feel are as important as their compensation. (This doesn't mean you can skimp on pay if you do these other things correctly; it means that, in addition to market-based pay, you need to pay attention to these other factors as well.) There are some similarities in the most valued rewards between the Baby Boomer generation and Generation Y, although the relative ranking varies between the two demographic groups. The non-compensatory rewards that motivate both generations include:

- High-quality colleagues
- Access to new experiences and challenges
- Recognition from one's company or boss
- Flexible work arrangements

In addition to these four factors, Gen Y members also look for both good prospects for advancement, with an actual, steady rate of advancement and promotion in their jobs.

AVOIDING TURNOVER PROBLEMS

Next, let's look at the flipside. What is the reason for most employee turnover? In research conducted by Sunil Ramlall, Ph.D., of the University of St. Thomas², in addition to inadequate basic compensation, the most common reasons cited for employee turnover included:

- Lack of on-the-job challenge
- Inadequate growth opportunities in a person's present position
- Inability to advance in their career.

Other factors leading to turnover that were identified in this research included lack of recognition and ineffective leadership. As we might expect, the findings here mirror those mentioned earlier.

MOTIVATIONAL MANDATES

Now let's go to some anecdotal evidence available to us. When two up-and-coming young leaders in the accounting profession were asked recently, "What do young professionals seek from an employer?" they responded that they looked for:

- Training and development opportunities
- Opportunities to continually grow in their careers
- New challenges
- Variety
- A sense of dedication from the employer to the employees.³

Sounds familiar, doesn't it? And we could go on and on, looking at quotes and articles dealing with young professional engineers, accountants, managers, and you name it. However, none of this should be an epiphany to anyone who has been attempting to run a business and manage employees. As early as 1968, Frederick Herzberg, in his Motivation-Hygiene Theory identified motivational factors that sound very similar to the factors summarized above: responsibility, growth and learning, achievement and recognition.⁴

WHAT THESE STUDIES AND PEOPLE ARE TELLING US

When you look at the similarity of the responses cited above, you can see some patterns emerging. These patterns point to the need for employers to continually provide opportunities for their people to grow their skill sets. Further, the patterns point to the need for employers to focus on providing a combination of informal, on-the-job and formal training and development, including the use of developmental assignments. In short, they point to the need for all of us to actively work toward making our people better, faster and stronger. These brief lists encapsulate some of the best practices currently being employed by a few firms to, in fact, make their people better, faster and stronger, and at the same time, improve the organizations themselves.

THE REAL QUESTION(S)

Here are the real questions to ponder amidst all this research:

- If these best practices for retention are such good ideas, why do they appear to be in such short supply at so many organizations? In other words, why is it that organizations continually struggle to find and keep good employees?
- And by the way, why, when we look at bench strength for succession management, is there an internally-perceived shortage of talent to take over?

WHY BEST PRACTICES FOR RETENTION AREN'T ALWAYS PRACTICED

Tone at the Top

The tone is set at the top, or as you've heard us say, "The fish stinks at the head first." If your company, team or unit is struggling with employee retention, it is first and foremost a function of what top management is doing to set the tone for people development and retention practices. Yes, we understand that your local market conditions may make it more difficult for you to find and keep good people to begin with. This doesn't change the fact that there are steps you can take to create a competitive advantage for your group within your market. It doesn't negate the need to consciously find, groom and grow your people in a consistent, logical way. If top management sees personnel growth and retention as a key strategic success factor, then it needs to put its money behind it and really work at creating the kinds of motivating opportunities that research, and our experience, show will work to keep the best people.

Legacy Practices

In many organizations, the methods and policies for dealing with people and their development and retention have simply evolved over time. Some of this evolution likely comes from emulating what the manager or generation of managers before us did. This is a good news—bad news scenario. If the people we are emulating were really expert leaders, it's good—we probably have been subjected to, and embraced, some good, if not best, practices in people development and retention. On the other hand, if the people we are using for role models didn't have a clue, well then we are unfortunately perpetuating their bad habits. Of course, this can span a continuum between both extremes, with some level of leadership competency mixed with incompetency. The fact remains that, based on our experience, many,

many managers and executives simply have never learned how to do the job properly. They've continued doing things "the way we've always done them" and for the most part, this has not been successful.

Technical Mindset

Many of our clients are technical professionals, coming from an educational background that taught them how to be experts in some technical field or subject matter. Many people drawn to technical careers like to work on demanding, difficult problems and they really enjoy solving complex problems with new ways of thinking. Based on our experience, the motivational needs that drive many analytical, problem-solving technical professionals are the same traits that create some challenges with communication and interpersonal interaction. Leaders need to be able to use communication and interpersonal interaction to influence others effectively and to help their people become better at what they're doing. This is not to say that all accountants or all engineers have some work to do in communication and interpersonal skill development. Rather, we simply are suggesting that readers do an honest self-evaluation and perhaps ask trusted others about their individual mindset and skill set in this regard. In addition, there are 360° assessments and self assessments available to help you with this discovery process.⁵

Prioritization

When someone says they don't have time to deal with some issue, it's not really a matter of having enough time so much as it is a matter of seeing that the particular matter is important enough to spend some time on it at the moment. What we find is that the "people" side of the business gets short shrift due to management's focus on individual production and realization, external rainmaking, or other, non-developmental opportunities. What then happens is that employee development and retention practices are just after thoughts—something to be dealt with once this project is complete, or after the end of the month, or at some other time in the future. But then, other urgent matters distract the manager again, and development of people gets put off again, and again, and again. If management really thought it was that important, time and resources would have been devoted to it.

Workload Does Not Allow It

Closely related to the prioritization barrier is the workload factor. In many organizations, everyone is trying to do more with less, and everyone is working harder than ever, perhaps at lower margins than they'd like. While your own competitive environment will drive your decisions, we'd like to suggest that there could be some merit to dumping the bottom 20% of your work, customers or clients, raising your rates or prices a tad, and creating some breathing room for you and your people. This could allow you to spend more time on your people and your business, rather than running from crisis to crisis and dealing with at least one or two less than desirable clients or customers you've been fantasizing about firing anyway.

Pay Drives Behavior

Through our stated or unstated employment contracts with our people, from the top down to the bottom of the organizational hierarchy, we basically are renting their time, and hopefully in a way that the time they spend with us helps us achieve our goals. Nowhere do we find greater disconnects in our work than in the way managers' and executives' pay lines up, or is misaligned, with what the organization hopes to achieve. If your managers are getting paid based on metrics that focus on project profitability, overall personal productivity and or rainmaking and the like, then what makes you think that they will devote any quality time, if at all, to developing people and creating an environment that attracts and retains the best and the brightest? Follow the money if you want to see what's driving your managers' and executives' behaviors.

Inadequate Skills

This factor is a critical barrier to effective implementation of strong retention and development practices. Partly because many managers have not had good management modeled for them, and partly because training in management skills has not been a high priority, many managers and executives simply don't know how to effectively delegate to and develop their people properly. It is part of what we refer to as a firm's "best kept secret:"—employee incompetence at the management level. Some executives simply don't know how to appropriately influence others, delegate to them in a way that gets the work done effectively and efficiently, and in a way that promotes learning, growth and development of the person to whom the task or activity has been delegated. For some managers, delegation and development looks like abdication or dumping. For others, it looks like stand-by-your-desk micromanagement. This is a real shame because delegation and development are learnable skills. They're not something you either inherit or are destined to live without. But it does take some work to learn how to do it properly. Management skills such as delegation and development are not learned by reading books. Oh sure, you can gain a cognitive understanding of them by reading. However, management is a contact sport, and like any contact sport, it requires actual practice to develop the skills.

WHY THERE IS A PERCEIVED TALENT SHORTAGE FOR SUCCESSION MANAGEMENT

All of the reasons cited above are responsible for an internally perceived lack of bench strength when an organization begins its succession planning and management process. The tone at the top, the pay system and the organizational culture all create an environment where legacy management practices will prevail at the cost of best practices and where overall priorities reflect anything but people development and retention. Contrast this with an environment where successful professionals and managers are required to make themselves uncomfortable in learning a few new techniques to stay relevant as leaders. But there is more to it than that when it comes to leadership development.

In most entrepreneurial organizations, the sheer force of will of the founding owners has driven the organization to success over the years. These owners have found a way to make things work, no matter what, using individual persistence, innovation and drive. Over time, as the organization grows, it needs more structure and infrastructure to allow the rest of the people to operate it successfully. This means that the entrepreneurial members need to be developing their next generation of leaders so those leaders can learn to lead and manage and develop their business instincts in a controlled environment. In other words, at some point, the old guard needs to be looking at making the next level of leaders faster, better and stronger, not just focusing on themselves.

What about established organizations that don't fit the entrepreneurial entities described above? They may be far enough along in their growth cycle that they are overly bureaucratic. Poor people development and retention practices can exist in this type of organization as well, from the top to the bottom, for all of the reasons mentioned thus far. One additional, complicating factor that will cause even more inertia in a large bureaucracy is the actual or perceived lack of accountability. While any organization can fall prey to inadequate accountability, it can be pervasive in larger bureaucracies—managers may even have problems disciplining or dismissing some employees in organizations such as these. The tone, ultimately, is set at the top and accountability is part of the tone.

WHAT TO DO ABOUT EMPLOYEE RETENTION AND DEVELOPMENT

Any solution to a complex problem such as increasing or improving employee retention and development will require some forethought and customization to your organization's facts and circumstances. It will require management to address accountability, pay, prioritization and budgeting, as well as development of the skills of the leaders to help the rest of the employees develop. It will truly require a change in mindset of top management. Is this possible? We see it happen all the time. Is it easy? It's easier for some than for others, but it can be done.

If you are interested in getting your managers to be more functional at their development, supervision and delegation, there are tools and processes to help you, including for example:

- Competency models that define the behaviors your managers should exhibit
- 360° assessments and other instruments that provide feedback to executives and managers on their styles, strengths or weaknesses
- Performance incentives based on attainment of individual goals set for the period and on adherence to behaviors defined in the competency model for the position
- Specific training programs aimed at building particular management and leadership competencies and skills
- Coaching and, if your organization is large enough, mentoring

There are a variety of these tools available, but some that we use include the Everything DiSC suite of profiles, QuadLead/Succession Institute Managerial Leadership Assessment, the Thomas-Kilmann Conflict Mode Instrument, and Situational Leadership®. Each has its own place and purpose, with its related benefits. It's not so much which tools you use, but what you do with them afterward to assure implementation success that is important.

You can effectively address retention and development at your organization—it just requires commitment from the top, making it an organizational priority, aligning compensation, holding everyone accountable and learning some new techniques. If you are asking “But, can we afford it?” we would ask you in return, “Can you afford not to?”

Notes:

¹Hewlett, Sherbin and Sumberg, *How Gen Y & Boomers Will Reshape Your Agenda*, **Harvard Business Review**, July-August 2009, Volume 87, Number 7, pp 71-76

²Ramlall, *Managing Employee Retention as a Strategy for Increasing Organizational Competitiveness*, **Applied H.R.M. Research**, 2003, Volume 8, Number 2, pp 63-72

³Julin, *The Profession's Future: Meet Today's Emerging Leaders*, **COCOA NewsAccount**, Jan-Feb 2010, pp 6-7

⁴Herzberg, *One More Time: How Do You Motivate Employees?* 1968 **Harvard Business Review** 46, p.58

⁵ See **successioninstitute.com** for explanations of some of the tools available to leaders in this regard.