

Sage Leadership Strategies

# LOVE 'EM or LOSE 'EM Retaining Key Employees is a Leadership Issue



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Sage Leadership Strategies



## LOVE 'EM OR LOSE 'EM Retaining & Engaging Talented Employees

Retaining and engaging talented employees is a key problem for corporations - regardless of the economic climate.

In the late 90s, when unemployment rates were low, attracting and keeping top talent was a serious concern. The trend was exacerbated by a growing tendency for people to change jobs frequently. After 20 years of downsizing, it was ironic that corporations had become concerned about losing employees.

Some organizations turned to retention bonuses to attract and retain talented people, with some bonuses reported to be \$20,000 *or more*. There were also reports of an amazing array of perks and benefits offered to make employees' lives more comfortable. Some organizations offered dry-cleaning services, car-detailing, concierge services to run errands, child-care, pet-sitting, gym programs, and chair massages.

Post 911, we saw shifts in the labor market, with many of the perks gone. Downsizing again became the norm as businesses and the economy struggled.

In 2004 and 2005, as the marketplace began to recover, employee retention once again became a concern. A survey conducted by CareerBuilder.com in 2004 found 43% of employees did not feel appreciated by their supervisors. During that time another survey showed more than 60% of employees were planning to change employers.

Now, even after the fiasco in the mortgage industry, rising oil prices and all the talk of recession, the problem is still in getting qualified and talented people into the right jobs and *keeping them there*. HR professionals, managers and CEOs are all searching for what they can do to keep their good, talented employees, and make sure they remain engaged.

But you can't buy love. Throwing money or gifts at people isn't enough to keep them. If they don't like the company, the people they work with, the boss, or the way that they're treated, they will still leave.

Finding solutions to employee retention and engagement means more profitable companies, happier, more productive employees, satisfied customers, and ultimately greater stock value.

Losing employees is very expensive. Studies have found that the cost of replacing lost talent is 70 to 200 percent of that person's annual salary. Expenses include recruiting, orientation and training, lost productivity -- even lost customer satisfaction because of employee change. Finding and training the best employees is a major investment.

Once employers have found talented people, equipped them and given them valuable training, what can they do to prevent those same employees from walking out the back door and going to competitors? Or, maybe even worse: negative, disengaged employees who remain with the company, slowly contaminating the working environment with negativity and “victim” attitudes.

Study after study shows people leave because of their direct supervisors, more than any other reason. It's the manager who, more than anyone else, can do something about retaining and engaging workers. The manager can be seen as responsible for creating a satisfactory working environment.



However, studies typically show that 9 out of 10 managers *think* people stay or go because of money (*Harvard Management Update*, June 1988.) This keeps showing up in research in spite of the fact that people leaving jobs say otherwise. Money and perks do matter, but employees report what they want most is *challenging, meaningful work, a good boss, and an opportunity for learning and development.*

In 1999 the Hay Group studied more than 500,000 employees in 300 companies. Of 50 retention factors, they found *pay was the least important.* Other studies bring up similar lists of the 10 most important reasons people say they stay with a company.

1. Career growth, learning and development
2. Exciting, challenging work
3. Meaningful work, ability to make 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 hours and dress
10. Fair pay and benefits

This is contingent upon people having already attained a certain level of material comfort. That is, once people have their basic needs met, *they care more about what they do and who they work with, rather than the money.*

So why do managers still think it's the money? Do they view people as important capital assets, or as easily replaceable? Do they nurture, respect and protect their workers? Or are they looking at them only as performers? Diagnosing the gaps in espoused theory and theory in action is important in putting retention efforts in the hands of managers who are most closely working with the employees and who can make the difference.

One possible explanation why managers still think it's the money may be that when employees complain to their manager, they often bring up the subject of compensation. Workers come to their bosses when they want a raise. They may feel they are not earning enough, or as much as another person. When these concerns are frequently verbalized to managers it gives them the impression that money is what matters the most.

A 1999 study by the Saratoga Institute for the American Management Association also cites three reasons people leave their jobs:

1. Poor supervisor skills
2. No growth opportunities
3. Inability to speak freely

Some of the most comprehensive research on what makes a great company has been conducted by the Gallup Organization. In 1999, they published the results of a meta-survey of over 1 million employees. This invaluable information is contained in the book, *First Break All the Rules: What the World's Greatest Managers Do Differently* by Marcus Buckingham and Curt Coffman (Simon & Schuster, 1999).

Based on a wealth of data, the Gallup Organization attempted to define not only what makes a great company, but because so much depends upon it, what makes a great manager.

In today's labor markets, companies compete to find and keep the best employees, using pay, benefits, promotions, impressive job titles and training. But these well-intentioned efforts miss the mark. The most important element in attracting and retaining key employees is the front-line manager.

The Gallup study found people weren't necessarily loyal to the company, but rather to the unit they worked in, and this was because of their feelings toward their immediate supervisor. In other words, companies aren't employers-of-choice; it is the supervisors who are the essential determinants in retaining talented people.

No matter how generous its pay, benefits or training, a company that lacks great supervisors and managers will suffer. Great managers, according to the Gallup research, have the following behaviors that set them apart from others:

1. They select an employee for *talent* rather than for skills or experience.
2. They set clear expectations and define the right outcomes rather than the right steps.
3. They motivate people, by building on *their strengths* rather than trying to fix their weaknesses.
4. As each employee grows, they encourage them to find the *right fit* for their strengths within the organization.

## Four Elements in Creating Loyalty

The following four elements have proven to be effective in creating employee loyalty: praise and recognition, a sense of contribution to the company, learning and development, and having a best friend at work.

- 1. Praise and recognition:** It has been said that no news is good news, but for managers interested in keeping the best workers, this is not true. For workers, not getting any feedback is tantamount to being ignored: it leads to complacency. Workplaces which ignore performance will destroy the very human spirit that makes the true difference in quality output and service delivery.

Positive recognition is often thought of as coming strictly from supervisors or managers, but studies have found that employees also value praise and recognition from peers. Co-workers know the particulars of a job and when they give good feedback it can be more meaningful. What can a manager do to help foster this? Model the appropriate way to give frequent praise and recognition. Working with a coach will help develop appropriate and effective feedback skills.

- 2. A sense of contribution to the company:** Excellence only happens when people have a deeply felt sense of purpose in their lives. Human beings want to know they make a difference. Organizations need to let employees know how their job and their performance is important to the overall success of the company. There must be an alignment of the worker's personal reasons for being there and the purpose of the job. It is more exciting to share a mission rather than to simply accomplish a task.

What can a manager do to increase this sense of meaning? Involve the workers in other aspects of the company. Take them to meetings and let them know about what's going on in the company in other departments and teams.

- 3. Learning and development:** It is important to offer trainings and learning opportunities. Traditional management highlights the need to help employees identify their weaknesses and then creates a plan for them to improve. The emphasis is on what the employee is not, rather than on developing more of who they are. Effective organizations are now hiring coaches to help workers develop their strengths and to become more of who they are.

Working with a coach involves holding up a mirror to employees and encouraging them to know themselves. As they come to better understand who they are, they can see opportunities for growth in the company, utilizing their strengths and talents. As they move forward in their self-knowledge, they can look for places within the company where their talents are a good fit.

- 4. Having a best friend at work:** This is a key element in why people choose to stay at a job, even in the face of other dissatisfactions. In the best workplaces, managers recognize that employees want to forge quality relationships with their co-workers and that company loyalty can be built from such relationships. Developing trusting relationships with one's coworkers provides a significant emotional compensation for employees. While organizations pay close attention to the loyalty workers may feel toward the company, the best employers recognize that loyalty *also exists among workers to each other*. Great managers allow time and opportunity for these relationships to flourish.

Managers know that they need to attract and retain talented people in order to succeed in the competitive workplace. And they also have to find ways to get workers to improve performance. People usually don't think of themselves as performers, but as individuals with certain strengths and talents. Workers must know that the manager cares about them on a human level before they are going to be motivated to make extra efforts.

While there is no one-size-fits all retention formula, here are some of the ingredients:

1. Honest communications in all directions,
2. Supervisors who invite workers into all facets of work and help them to see the big picture, that is, the corporate value of their contributions,
3. Workplaces that encourage experimentation and learning.

There are no new tricks. It is the same old story: there is a great need to engage and enable the hearts, minds, and yes, even the soul of people at work. This engagement is far more important than bonuses, perks and even chair massages. It is primordial to retaining talented people.

## Measuring Strong Retention Factors

The Gallup Organization released the results of their massive in-depth study of great managers across a wide variety of industries in Buckingham and Coffman's book, *First Break All The Rules: What Great Managers Do Differently*. This research generated thousands of different survey questions on employee opinion.

Using sophisticated statistical analysis, they produced 12 questions which work to distinguish the strongest departments of a company. This essential measuring stick provides the link between employee opinions and productivity, profit, customer satisfaction, the rate of turnover and employee engagement.

Gallup calls these the Q12:

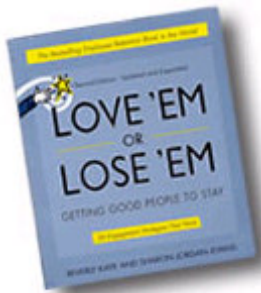
1. **I know what is expected of me at work.\***
2. **I have the materials and equipment I need to do my work right.\***
3. **At work, I have the opportunity to do what I do best every day.\***
4. In the last seven days, I have received recognition or praise for good work.
5. **My supervisor or the person I report to seems to care about me as a person.\***
6. There is someone at work who encourages my development.
7. **In the last six months, someone at work has talked with me about my progress.\***
8. At work, my opinions seem to count.
9. The mission/purpose of my company makes me feel my job is important.
10. My associates (fellow employees) are committed to doing quality work.
11. I have a best friend at work.
12. The last year, I have had opportunities at work to learn and grow.

**Note:** The survey items are copyrighted and cannot be used without Gallup's express permission. For more information about the research conducted by Gallup, go to <http://gmj.gallup.com/content/811/Feedback-Real.aspx>

According to the results of years of Gallup Organization research, these 12 questions are the simplest and most accurate way to measure the strength of a workplace.

\* Further analysis revealed five of the Q12 are linked to retention: numbers 1, 2, 3, 5, and 7. When employees score highest marks for these five questions, the company has a strong retention factor. As a manager, if you want to build high retention, then securing high marks on these five questions is a good place to start.

## Appreciation and Recognition

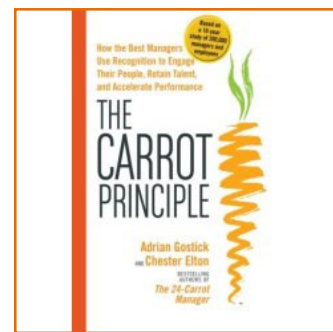


For the past eight years, Beverly Kaye and Sharon Jordan-Evans have studied retention and the reasons employees leave organizations. To date, their organizational surveys have been completed by more than 20,000 people. The results are detailed in their book, *Love 'Em or Lose 'Em*.

Like Gallup and others, they found that regardless of the economic climate – weak or strong – employees stay in organizations where they are appreciated, where there is possibility for career development, exciting and challenging work, and where they have great working relationships.

What about money? Not surprisingly, they also found it's not a key factor. Less than 1/3 cited salary as a reason for leaving. So what's the number one reason that employees leave organizations? Once again, employees stated that they leave because of their immediate supervisors.

Do you know the vast majority of leaders believe they are effective at recognizing and appreciating employee's contributions? That's what Adam Gostick and Chester Elton report in the *Carrot Principle*. They interviewed 200,000 people and overwhelmingly employees stated that they feel unrecognized, with only 40 percent of employees reporting high engagement and high job satisfaction.



Here's an excerpt from *The Carrot Principle: How the Best Managers Use Recognition to Engage Their People, Retain Talent, and Accelerate Performance*:

"The problem, for most leaders, stems from approaching leadership from the old transactional approach. Within this model, recognition is a leadership tool to manipulate people to work harder and be more loyal, helping the manager achieve his or her goals.

Since these managers approach recognition with themselves--rather than their employees--in mind, they look for quick and easy rewards requiring little thought or preparation, often settling for one-size-fits-all awards. Everyone gets a video rental certificate, a coffee card, a small cash bonus, an event ticket, or the same candy bar. One manager in an interview for the book even gave us the advice, "If you give a bag of M&Ms, always put a bow around it," as if red ribbon suddenly made the award personal to a recipient."

If the excerpt from Gostick and Elton wasn't so sad it would be funny. What are the key leadership lessons? Learn what motivates each of your employees and tailor your recognition to the individual. Don't try shortcuts. People have built-in BS detectors and if they think you are trying to manipulate them, not only will you lost their respect and trust, you may lose them as an employee.

**Consider using the Myers-Briggs Type Indicator (MBTI) as an Employee Engagement & Retention Tool to discover individual preferences. Call us toll free at 800-509-6823 to learn more about the MBTI.**

## You're Fired!

Remember Donald Trump's declaration at the end each show on *The Apprentice* when it aired from 2004 - 2006?

Yet, as employees become increasingly disgruntled, they may be the ones who are uttering "You're Fired" under their breath while they quietly carry on a job search. According to a 2006 survey of 14,000 workers conducted by Salary.com, 65% of employees are currently looking for other work.

Even if they stay with their employer, they report lower levels of job satisfaction. Gallup released the results of another survey in October, 2007. They learned from U.S. employees that if they had the opportunity, 24% would fire their boss. And, as many as 51% of the actively disengaged workers would get rid of their leader if they could.

## Key Solutions

While it may seem that the future is all doom and gloom, there are solutions. Many companies are taking the right steps to maintain employee engagement and reduce turnover. If you are worried that you may be facing an exodus of valued and valuable employees, we recommend that you read about the strategies and solutions to retain, reengage, recognize and reward employees.

Our Recommended Resources on the next page include the top articles and books.

Need more than a book? We invite you to call us for a consultation to discuss how we work with companies and leaders to address Employee Retention and Engagement.

Visit us at [www.SageLeaders.com](http://www.SageLeaders.com) or call directly: 800-509-6823.

## SAGE LEADERS' RECOMMENDED READING

Branham, Leigh, *The 7 Hidden Reasons Employees Leave*, Amacom, 2005.

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

Gallup Management Journal: *Many Employees Would Fire Their Boss*, October, 2007.



Adrian Gostick and Chester Elton: *The Carrot Principle: How the Best Managers Use Recognition to Engage Their Employees, Retain Talent, and Drive Performance* Free Press, 2007

Hay Group, *1998-1999 Employee Attitudes Study*, 8, HR/OD, December, 1998.

Herman, Roger E.; *Keeping Good People: Strategies for Solving the #1 Problem Facing Business Today*; Oakhill Press, 1999.

Terri Kabachnick: *I Quit, But Forgot to Tell You*; Cornerstone Leadership Institute, 2006.

Kaye, Beverly and Sharon Jordan-Evans: *Love 'Em or Lose 'Em: Getting Good People To Stay*; Berrett-Koehler Publishers, 2008.

Klobucar Logan, Jill: *Retention Tangibles and Intangibles*; ASTD's Training & Development, April, 2000.

Smart, Bradford D., Ph.D; *Topgrading: How Leading Companies Win by Hiring, Coaching and Keeping the Best People*; Prentice Hall Press, 2005.

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