The Retention Challenge

Most forward-thinking organizations today realize that having valued employees is what differentiates them from their competitors. In this increasingly commoditized and competitive world, good people make an organization survive and thrive.

With this realization comes the rapidly increasing focus on retaining key talent. Now that the economy is improving and jobs are becoming more plentiful, we have the makeup of a perfect storm of concerns about the unwanted attrition of talented workers. In response to client concerns, The Ken Blanchard Companies® has studied this costly and disruptive issue.

According to a 2000 report by the U.S. Bureau of Labor, by 2010 there could be as many as 10 million more jobs available than there are employees in the United States. This shortage is due primarily to the much smaller Gen X population in the United States (44 million) versus the Baby Boomer cohort (77 million). Jeff Taylor, CEO of Monster.com, warns, “We’ll be facing the worst labor shortage in our lifetime within the next five years.” (Harvard Business Review Newsletter, November 26, 2003)

In addition to demographics, there is growing evidence of worker dissatisfaction primarily as a result of layoffs, lack of career growth, and inadequate pay increases over the past several years. Alan Webber, founding editor of Fast Company, states, “The beneath-the-surface issue isn’t jobs. It’s work. Specifically, it’s the growing recognition by workers that corporate leaders have so abused them during the recent recession that when a job-producing recovery really kicks in, as appears to be happening, companies will suffer a tsunami-like wave of employee defection. The disruption will be enormous; the costs astronomical. And the signs are already there that foreshadow just how serious the problem could become.” (USA Today, April 12, 2004)

A third factor is the profound change in the employer-employee relationship that has occurred during the past 10 years. In a September 17, 2003 research report, RainmakerThinking, Inc. identifi ed the critical importance of the supervisor in the workplace and the increased time and skills required to manage this changed relationship. In essence, “employers have had to become more ruthless to survive and individuals more aggressive to succeed.” Supervisors and managers sit in the middle of this complexity. According to Rainmaker, “The day-to-day communication between supervisor managers and direct reports has more impact than any other single factor on employee productivity, quality, morale, and retention.”

Adding to the unavoidable realities of demographics, reports of widespread dissatisfaction, and changes in the employer-employee relationship are other more subtle retention challenges, i.e., the widely available information about new jobs through the Internet; the advice given in graduate programs that it is all right or even desirable to change jobs every 18–24 months; the desires of young people to have more fun and more balance at work than their parents experienced; the expectation that work will be meaningful and make a difference; the growing trend among talented and experienced women (who can afford it) to stay home with their babies and young children.

What is a company or a manager to do? The first thing is to heed the storm warnings and take this problem seriously. Attrition is costly. When people leave, they either take customers with them or put customer loyalty at risk. Changes in account personnel, if not properly managed, can send messages of organizational instability or give the impression that this is not an important client relationship. Internal customers are affected as well. Not only do they have to spend time orienting new employees, but the departure of a top-performing employee can cause those left behind to question their own loyalty.

Today's organizations and their managers need to become retention savvy. Retention needs to be elevated to a strategic initiative and be managed as carefully as profitability. This means collecting and paying attention to retention measures, setting realistic goals for retention, and getting smart about why people leave and why they stay in organizations (usually not the same reasons). It may also mean looking closely at jobs where attrition is the highest and most costly or most disruptive in your organization. By creating even minor adjustments in targeted jobs, you can make them more appealing over the long term. For example, one organization realized they had let too many administrative tasks drag down their sales force. At the same time they were raising sales quotas. Face-to-face time with clients was the key sales success indicator, not paperwork. It was also a key motivator for salespeople. In this case, restructuring the sales job and eliminating 60 percent of sales reports made the job much more attractive and lowered attrition dramatically.

An equally important strategy in combating unwanted attrition is to pay close attention to the relationships factor in a person's work. Studies and statistics about why people leave jobs point directly to how connected people feel at work. Consider these studies:

1. The Gallup Organization found that
    - 26% of the working population is engaged—loyal and productive
    - 55% is not engaged
    - 19% is actively disengaged

"Engaged" workplaces are

- 50% more likely to have lower turnover
- 56% more likely to have higher-than- average customer loyalty
- 38% more likely to have above-average productivity
- 27% more likely to report higher profitability

2. The single most important determinant of an individual's performance and commitment to stay with the organization is the relationship with his or her immediate manager. People leave their manager far more often than they leave the organization. *(The Hay Group and Gallup)*
3. Fifty percent or more of work satisfaction is determined by the relationship a staff member has with his or her immediate manager. *(Beverly Kaye)*
4. According to Gallup, the top three reasons employees leave their jobs are

    a. Lack of faith in the leadership or vision of the company

    b. Concern with the way management is treating people

    c. The lack of management support for areas such as performance reviews and employee development

5. Of 20,000 workers who had just left an employer, the supervisor's behavior was the main reason people quit. *(Saratoga Institute)*
6. One of the reasons top performers leave an organization is that no one asked them to stay. *(Marshall Goldsmith)*
7. A study of workers across 350 organizations revealed that what employees want is (1) leaders they trust and who treat them fairly as individuals; and (2) leaders who show care and concern for them. *(Talent Keepers)*
8. The cost of replacing an employee is estimated to amount to between 1.75 and 2.5 times his or her yearly salary. *(Les McKeown)*
9. In the most comprehensive study ever done in the area of retention, researchers found that earnings and benefits have a 2% impact on job satisfaction, while job quality and workplace support have a combined 70% impact. *(Family and Work Institute)*

Who Is Responsible for Retention?

Given the facts and figures listed above, we believe managers and leaders are the first line of defense against unwanted attrition. But does that match the belief systems of many managers and leaders?

Most managers point to external factors as they lament the loss of a talented contributor. Noncompetitive compensation and benefits, lack of inspiring corporate leadership, mergers or acquisitions, and economic realities are examples of these external factors. Some managers believe the primary responsibility for retention resides in the HR function. Retention is rarely included in a manager's list of goals. In Blanchard®'s retention-focused workshops with clients, we begin by challenging these belief systems. One revealing exercise is to ask people to recall and share a time when they were the most engaged in and excited about their own work. The responses cluster into predictable categories—feeling the work was important and sometimes "big"; feeling appreciated; learning and growing; being part of a great team; and having autonomy—all aspects of work that managers can directly influence!

Managers must acknowledge their role in and take responsibility for keeping and motivating talented people. This means viewing their jobs more broadly and accepting that they have three very important parts of their job. They have their own work to do and meetings to attend, places to go, and projects to complete. The two other key areas of a manager or leader's job are the ones that have the most impact on retention of key talent: (1) the development of people in their current work, and (2) career coaching for future work. Unfortunately, these two areas are often given short shrift in today's increasingly busy workplace. When done effectively and consistently, however, development and career coaching build the strong relationships and loyalty that keep people motivated and eager to stay and grow with the organization.

Retention-Building Habits

It's one thing to know that a strong relationship with the manager or leader is good retention insurance. It's another to know exactly what that means and how to do it. Our work with clients has shown us 10 retention-building habits that managers or leaders should adopt.

1. **Show genuine interest and appreciation.** Continue to be or become genuinely interested in each person whom you support and depend upon. This includes, but is not limited to, knowing something about the person's personality preferences, especially as they relate to yours and others in your area with whom they work regularly. At Blanchard we use the DiSC® and Myers-Briggs® tools to help people share their strengths and challenges with their manager and each other. We also use One on One meetings to increase communication.

In a similar vein, show interest in what people do outside of their work, i.e., family occasions, hobbies, special events like birthdays, volunteer work, etc. Why? When we ask people about the most meaningful and appreciated recognition they have received, there is usually a personalized element to it. It shows you know what they care about or are interested in and are connecting recognition with that interest. Imagine getting an article from your manager about one of your strong interests or concern areas, such as coin collections, a breakthrough in Cystic Fibrosis, or a favorite vacation spot! These gestures, which are based on personalization or special interest, do not have to be costly, i.e., a magazine subscription, tickets to an event, a special book, and so forth. They simply show you noticed and care.

More important than knowing about a person's preferences, however, is noticing and being very specific about noteworthy activities people undertake and accomplish in their work. Being sincere, knowledgeable, and specific in giving someone a verbal or written praising ranks as one of the very top ways you can express appreciation, especially if you also tell the person how you feel about what they did. Here's an example of an effective written praising that a colleague shared with me recently.

Dear Laurie,

I noticed how you handled that upset customer this morning. Your prompt attention helped to calm Mr. Price down and find the misplaced shipment. I especially appreciated your patience with his emotional outburst! I'm delighted to be able to count on you to handle difficult situations like that and proud that you are a living example of our service value. Keep up the great work.

—Bob

2. **Make work meaningful.** When we ask people to describe three highly enjoyable times in their professional life, invariably one of the common themes is that they felt their work was important and they were making a positive difference. People need to see the connection between what they do and what difference it makes—to the company, the internal or external customer, and even to society. Managers or leaders need to help make this link. At The Ken Blanchard Companies, where we have more than 300 associates working together, one of our high turnover positions used to be in the receptionist position. About four years ago we realized that these folks were the first people visitors would meet. We changed their title from Receptionists to Directors of First Impressions. Now, they create miracles to fill in the spaces every day and, equally as important, turnover has dropped.

3. **Ask courageous questions.** Leaders or managers shy away from asking key people courageous questions such as, "Why do you stay?" "What might lure you away?" "Are you being challenged, recognized, trained, given feedback enough for now?" "Are things as you had expected they would be?" (It is especially important to ask someone relatively new to his or her job after a few weeks.) "What would we need to do to keep you here?" "What about your job makes you want to take the day off?"

In our employee retention workshops, I ask participants to interview each other using five or more of these questions. It's amazing to hear their reaction afterward. They enjoy both asking and answering these questions and feel special in the process.

It's unrealistic for you as a manager or leader to believe that your best people are not being enticed by headhunters and competitors. Thus, it's both smart and courageous to have conversations with people about your interest in them and your desire that they stay with the organization. This is a much better situation than a person who told me recently, "You know, my headhunter is more interested in my career than my boss!"

4. **Grow competencies, situationally.** Look for opportunities to put people into challenging situations where their skills and/or competencies will grow. Be sure, however, that this is combined with a development plan and the appropriate leadership and/or coaching help. Situational Leadership® II is a helpful model and coaching structure that encourages conversations about development. What combination of support and direction from the manager will help a person learn and be productive on both new and ongoing tasks? Different strokes for different folks and especially different strokes for the same folks, depending on the task, is the key to developing people and helping them and the organization win.

5. **Meet one on one, routinely.** A strong retention-enhancing habit is to hold regular one-on-one meetings between manager or leader and his or her direct reports. These one-on-one meetings are short (15 to 30 minutes) and are held at least once every other week. The manager or leader commits to holding these meetings and holds that time as a high priority. The direct report brings the agenda. "What's on your mind?" is the way the meeting starts. Over time, as people begin to trust in these meetings and know this is "their" time, some helpful dynamics occur. They save up items rather than interrupting their manager a myriad of times. Often they talk about personal issues or ask about larger issues going on in the organization. Their manager or leader becomes their touchstone within the organization—the person they go to for information and answers rather than consulting the ever-present grapevine. These meetings are where Situational Leadership, praisings, career discussions, etc. actually happen—not at the end of a performance appraisal session! When you truly turn the floor over to a person and that person knows you are focusing only on him or her, you will be surprised at what comes out.

6. **Make retention everyone's responsibility.** Managers or leaders need to encourage all members of their work group to feel responsible for retention of their peers. Disappointed or disgruntled coworkers are more likely to express their feelings to each other than to their manager. Exit interviews with people who have left organizations often reveal that if "just one thing" could have changed, the person would not have left. Coworkers who feel responsible for retention can be helpful eyes and ears that alert managers to problems, hopefully before serious job hunting occurs. Once a person has accepted their feelings about leaving and actively moved toward getting a new position, the chances of a manager or leader reversing that decision and belatedly fixing a problem are very slim.

7. **Be a career builder**. Proactively talking to people about their long-term career aspirations can seem counterintuitive when talking about retention. Depending on the size of your organization, it may be realistic to retain people for a longer than average time—not forever. By finding out what people's dreams and goals are, you can help them use the time they are with you and your unit to continuously build skills and competencies they will eventually need. You can also help them explore opportunities in other places within your organization. People sense it when you are truly interested in their long-term aspirations versus your own business agenda; this fact usually builds loyalty and trust.

8. **Help people get an "A."** You want your people to succeed or, in Ken Blanchard's terms, you want them to get an "A" in their job! The best gift you can give a person is to get very clear with them on what that "A" looks like—both for the organization and with you. In our retention workshops, we also encourage managers or leaders to get as clear as possible about their leadership point of view and to share it with others. This usually includes trying to understand where their leadership philosophies came from—both positive and negative models—what they value most, any idiosyncrasies, and especially what you as a leader expect from them and what a person can count on from you. What a gift it is for your people to hear what means the most to you and how they can get an "A."

9. **Manage the meaning of change.** Your role as a manager or leader is especially crucial for your people in times of change and stress. Economic downturns, mergers and acquisitions, changes in the executive ranks, unfavorable publicity, and the like should trigger a message in your brain that says, "I need to check in more often with folks now. We need more—not less—communication." This is where regular one-on-one meetings truly pay off. In some cases, you may need to manage the meaning of the change and be a buffer between what comes down from above and what it means for your people. People have the following reactions to change, and you need to watch for signs that they are feeling:

   - awkward
   - alone
   - a sense of loss
   - not ready for change
   - worried that they don't have the needed resources to make it happen in their area

You may even be feeling some of that yourself. Often it helps to simply be there, move toward the questions versus away, be open to people having the above feelings, and commit to helping find answers when and if they are available. Moving toward people in times of change, including personal change issues, builds trust and loyalty.

10.Walk your talk. Be aware that people are always watching and assessing you and your actions as a leader, both with them and with others. This is especially true when people see you dealing with people they perceive as having little power. Vicariously, people see themselves in that low power position and look for consideration, caring, and fairness. It's easy to be a leader when things are on the upswing and everything is going well. The true measure is when times are tougher. Ask yourself, "What will the story be that is told about this situation (because it will be told)? Does it match what I say I value and the espoused values of the organization?" Truett Cathy, founder of Chick-fil-A, told his entire staff of leaders, "We all can make mistakes." He also told them, "In this company, if you err, please err on the side of mercy." Chick-fil-A leads the fast-food industry in high retention among store managers and frontline workers.

Living these 10 habits is a tall order for you as a leader or manager, given the demands on your time. When people say they don't have the time or interest to meet regularly or be involved in the career development of their people, I ask politely, "Why be a manager?" Let's look for other ways you can advance in this organization. I challenge them to be the kind of person they would like to work with and for. The reality: people don't leave marriages—they leave spouses; people don't leave organizations—they leave managers. People are much less likely to leave prematurely and voluntarily if they are learning, recognized individually, valued and appreciated, building a career toward their dreams, and part of something that is valuable to their organization and society. When people are truly engaged and energized in their work and career, they spread that energy and the entire organization thrives!

About the Office of the Future

Created by Marjorie Blanchard, PhD, the Office of the Future's function is to study and report on emerging trends in leadership, technology, and other workplace issues. Another primary role is to challenge the company's status quo and act as a catalyst for change that will ensure the company's continued vitality and success. Its findings and reports are available to clients and other organizations to assist with planning for the future and to the media for their use in keeping their readers advised of trends in the workplace.

About The Ken Blanchard Companies

The Ken Blanchard Companies® is one of the world's leading training and development experts. As the innovator of the most widely used leadership development system in the world, Situational Leadership® II, we provide groundbreaking thinking and a memorable learner experience.

Using a collaborative diagnostic process to identify your needs and business issues, we develop an appropriate leadership strategy. Our programs are based on behavioral models that add a situational context to the training experience, so individuals learn to be more productive in real-world scenarios and make the shift from learning to doing more quickly and effectively.

This creates lasting behavioral change that has measurable impact on the organizations we work with. We provide training that makes a difference.

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The Ken Blanchard Companies
Global Headquarters 760 489-5005/800 728-6000
UK +44 (0) 20 8540 5404
Canada 905 568-2678/800 665-5023
www.kenblanchard.com

