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“Employee What?!”

> *Along the journey we commonly forget its goal. ... Forgetting our objectives is the most frequent stupidity in which we indulge ourselves.*
>
> —Friedrich Nietzsche

> *A journey is like marriage. The certain way to be wrong is to think you control it.*
>
> —John Steinbeck

In this introductory chapter, we will:

- Look at exactly what “employee retention” is.
- Explore where the concept first came from.
- See how it has developed over recent years.
- Examine three trends that are currently shaping employee retention strategies.

Just What Is “Employee Retention” Anyway?

There is no secret code or formula that precisely defines “employee retention.” Ask 10 managers what they mean by the term and you'll receive 10 (sometimes very) different answers. Answers like these:

- "Employee retention? You mean stopping people from leaving this organization?"
- "Employee retention is all about keeping good people."
- "Getting our compensation and benefits into line with the marketplace."
- "Stock options, crèche facilities, and other perks."
- "It's got to do with our culture and how we treat people."
- "Staunching the high employee turnover we have in department x or job function y."
- "Presenting a consistent, effective employer proposition across the entire employee life cycle, thus ensuring we source, hire, manage, and develop employees who partner with us in achieving our organizational goals."

As you can see, managers' perceptions of the meaning of employee retention can vary from the mechanical ("Reduce this employee turnover figure to an acceptable level") to the abstract ("It's about our culture and values"). Definitions can be couched in curt, wholly objective phrases or in flowery, vague "corporate speak." Some managers view employee retention as a distinct, controllable element of labor management ("It's a matter of compensation and benefits") and others consider it a cross-functional, pervasive, and seemingly all-encompassing set of values or methodologies ("It's about our culture and how we treat people").

Which of all these "flavors and colors" of employee retention is right?

Is employee retention any single one of the definitions cited above? Is it a specific combination of two or more of those definitions? Is it something else entirely that we haven't mentioned?

Well, the answer to all those questions is … "Yes."

Employee retention is each of the definitions cited above. It can also be a specific combination of two or more of those definitions. And it is some other things that we haven't even mentioned yet.

> **Employee retention** A term that means many things to many people, with its meaning and means of achieving usually specific to each individual organization—and even to each manager and each employee.

How can this be? How can one seemingly straightforward concept be so many disparate, sometimes contradictory things?

The answer is because employee retention—effective employee retention—is not some externally generated set of activities or metrics that have a life of their own and that are applicable to every circumstance. As we will see throughout this book, effective employee retention is something that is very specific to each individual organization.

Two organizations in the same industry, making the same product, in the same town, with the same labor pool and the same customers and the same suppliers can see employee retention very differently, because of differing management styles and different past experiences. Even within the same organization, employee retention can mean something entirely different from one division to another or from one manager to another. And within any one division, under any one manager, what's key to keeping one employee may not be relevant to another.

> ***Biotech vs. Burger Bar***
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> What employee retention means to the biotech company down the road, peopled with chemists and concerned with R&D issues, is very different from what it means to the burger chain franchise in the next street, employing students and facing speed-of-production issues. And the way each company addresses it is necessarily different as well.
>
> The biotech company may think of employee retention primarily in relation to a handful of key chemists whom they want to retain for a period of years, while a product moves through its R&D cycle, through testing and certification, and finally into marketing and sales. In contrast, the burger joint is likely to be concerned about retention problems across a much broader category of employees and with a time horizon of months rather than years.

CAUTION!

"No Generalization Is Worth a Damn ..."

"No generalization is worth a damn, including this one!" Those words of caution—attributed to Mark Twain, George Bernard Shaw, and Oliver Wendell Holmes—seem particularly appropriate here. All the generalizations about employee retention, no matter how wise, are worth little if you don't apply them judiciously.

Every organization—and every department or division in every organization—is a different environment for employee retention. Additionally, within each organization, department, and division, circumstances will change from year to year, month to month, maybe even from day to day, in such a way as to render your carefully constructed employee retention goals, strategies, and tactics either obsolete or at least in need of a good overhaul. If you know your environment and keep alert to changes, you can make the most of any generalizations about employee retention.

So you will not find in this book (or elsewhere) one prescriptive, generic answer to the question of employee retention, no single plan that fits every situation. Instead, you will discover how to define employee retention for yourself, for your organization, and even for specific departments or divisions in your organization. You will learn how to establish realistic, organization-specific employee retention goals, how to select the right strategies and tactics to attain those goals, and how to gauge the success of those strategies and tactics. Finally, and most importantly, you'll learn how to monitor and vary your employee retention goals, strategies, and tactics over time, as your organization's circumstances change.

What "Employee Retention" Used to Mean

Let's start by getting our definitions and vocabulary right. This entails understanding just a little history.

The term "employee retention" first began to appear with regularity on the business scene in the 1970s and early '80s. Until then, during the early and mid-1900s, the essence of the relationship between employer and employee had been (by and large) a statement of the status quo:

> You come work for me, do a good job, and, so long as economic conditions allow, I will continue to employ you.

It was not unusual for people who entered the job market as late as the 1950s and '60s to remain with one employer for a very long time—sometimes for the duration of their working life. If they changed jobs, it was usually a major career and life decision, and someone who made many and frequent job changes was seen as somewhat out of the ordinary.

As a natural result of this "status quo" employer-employee relationship, an employee leaving his or her job voluntarily was seen as an aberration, something that shouldn't really have happened. After all, the essence of "status quo" is just that little or nothing should change in the relationship—and leaving was a pretty big change!

So, in the 1970s and later, as job mobility and voluntary job changes began to increase dramatically, the "status quo" model began to fray substantially at the edges. Employers found themselves with a new phenomenon to consider: employee turnover.

The Rise of Employee Retention as a Management Tool

As organizations began to feel the impact of the rise of voluntary employee turnover, so a matching management tool began to be developed—employee retention.

In this earliest, simplest form, employee retention was the

Employee turnover Percentage of the workforce who left the organization in any particular period. If, for example, an organization employed an average of 100 people during one particular year and 45 of them left (for any reason) during that year, the theoretical employee turnover rate for that year would be 45%.

In practice, managers are mostly concerned in gauging the rate of *voluntary departures*—employees who choose to leave of their own free will. People may leave the organization for many other reasons—retirement, ill health, firing, or enforced redundancy. These "involuntary separations" are usually excluded from the calculation of the employee turnover rate, thus allowing the organization to concentrate on the controllable reasons for employees leaving.

Smart Managing

Understand the Reasons for Job Mobility

The increase in voluntary employee turnover is in large part the result of an increase in job mobility—in essence a reduction of the friction involved in switching jobs—and is caused by a number of factors coming together, primarily:

- More information about job openings elsewhere, through TV, radio, newspapers, magazines, and the Web.
- Dramatic reductions in the cost of travel and relocation.
- A shift in personal values as the global economy moved out of post-war austerity.
- An increase in skills development opportunities and cross-training, making people more "employable."
- The decline of the industrial conglomerate, breaking up old hiring practices.
- The globalization of manufacturing competition, requiring more mobility of skills.
- Large-scale layoffs, reducing the loyalty employees felt toward their employers.
- The rise of small and medium-sized businesses as competitive employers, providing viable employment opportunities in most urban areas.

aspirin for the headache—a straightforward response to the rise in employee turnover: how can we stop people voluntarily leaving this organization at the rate they are doing?

However, as we've already seen, the root cause of voluntary employee turnover—increased job mobility—was a complex amalgam of trends and events (see sidebar on mobility), not any single, simple thing.

Because of the complexity of the changes happening in the industrial and commercial environment, it took some time for employers to understand that, in essence, the power in the employer-employee relationship was shifting from the employer to the employee.

Eventually, it became clear that trying to maintain the old, paternalistic "status quo" employer-employee relationship was not going to reduce the growing rate of employee turnover from which many organizations were suffering. Employers had to do something to staunch the flow.

Tweaking Around the Edges

The first steps in employee retention were simply to perform an iteration on the old employer-employee relationship—nothing too dramatic, just some attempts to make the existing relationship better, more palatable for the employee. Employers (understandably) wanted to begin with those things that met the following three criteria:

- Familiar ground in the old employer-employee relationship
- Easy to track in terms of employee turnover cause and effect
- Readily quantifiable

First attempts at employee retention, therefore, dealt primarily with *hygiene factors*—compensation, benefits, and the physical aspects of the working environment (for example, employee health and safety, toilet breaks, shift planning and duration, etc.), all of which fulfilled the three criteria above.

Many organizations began to pull their compensation packages more into line with something called the "market level." (With the increasingly free flow of information, it was becoming more and more difficult for employers to pay an employee dramatically less than a competitor, so this wasn't much of a concession.) It became more common for organizations to include non-monetary "hygiene factors" such as workplace health, safety, and comfort in the basic deal they offered to employees.

> Key Term
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> **Hygiene factors** Items that do not in themselves motivate employees, but that are necessary to prevent dissatisfaction. The term comes from Frederick Herzberg, one of the most influential management teachers and consultants of the postwar era. Herzberg studied employees in the 1950s and 1960s and found that certain factors tended to cause employees to feel unsatisfied with their job. That research led him to develop his "hygiene theory." Among the hygiene factors (also known as *satisfiers*) Herzberg identified were physical work environment, company policies, and salary.

What "Employee Retention" Means Now

By the time we reached the late '80s, organizations had made most of the one-time realignments of compensation and benefits possible. Although the issue of compensation and benefits would continue to form part of every organization's employee retention toolkit, there was a growing realization—on the part of both employers and employees—that there was more to employee retention than hygiene factors.

Most important to the development of the now fully fledged employee retention industry was the realization that if employee retention was to be effective and sustainable—if it was to work in the long run and not just produce a single, temporary dip in employee turnover—there was a need for a holistic approach to the individual employee that would go beyond simply adjusting the employee's compensation and benefits.

Meeting "Higher" Needs

What came into play was something called Maslow's hierarchy of needs—a well-accepted concept that began in psychology, spread to other areas of life, and then slowly began to make a profound impact on working life and, in particular, on the understanding of what employee retention really means.

Abraham Maslow was a psychologist who focused on

Smart Managing

Competitive Compensation Is Just the Entry Fee

As we'll see over and over again in this book, it's impossible to build a sustainable, effective employee retention strategy on the basis of competitive compensation and benefits alone. (We discuss the role of compensation and benefits in effective employee retention later in this chapter and in detail in Chapter 5.) Ensuring that your compensation and benefits are competitive is just the entry fee to playing the "employee retention strategy game."

In other words, if your compensation and benefits aren't competitive, you've got to fix them before you start thinking seriously about serious, effective employee retention. However, making your compensation and benefits competitive only brings you to the starting gate—it's what you do after that point that makes all the difference.

human potential, believing that we all strive to reach the highest levels of our capabilities. He is considered the founder of humanistic psychology. In his book *Motivation and Personality* (1954), he introduced psychological concepts that are now standard, such as "needs hierarchy," "self-actualization," and "peak experience."

Maslow once summarized his findings as follows: "The unhappiness, unease and unrest in the world today is caused by people living far below their capacity." Substitute "workplace" for "world" and you can see the impact his thinking has on employee retention.

Maslow created a model of human needs that's often depicted in the form of a pyramid. The foundation level consists of basic biological or physiological needs—oxygen, water, food, and so forth: these needs are the strongest because we need to satisfy them to remain alive. Our needs in the next level up are for safety and security. One level higher are social needs—a sense of belonging, acceptance, friendship, love. Above that level are ego needs: the need for respect, esteem, recognition, and status. Finally, we have the peak—self-actualization, fulfillment, self-development. Maslow showed that we must satisfy our needs one level at a time, going from basic to self-actualization.

The implications for employee retention were enormous and wide-ranging. Just looking at the terms in the paragraph above provides a shopping list of ways in which organizations have been trying to achieve employee retention during the past 10 to 15 years:

> Key Term
>
> **Maslow's hierarchy of needs** A model of human needs, from basic biological and physiological needs to self-actualization. We must satisfy our needs one level at a time, going from basic to self-actualization.

- Acceptance (assimilation programs, orientation programs, company retreats)
- Respect (suggestion programs, diversity programs, 360-degree evaluations, corporate visions and values)
- Status (job titles, executive perks, cars, corner offices,

delegated authority)
- Recognition (promotion, fast-track programs, employee of the month programs, award programs)
- Fulfillment and self-development (lifelong learning programs, funded education programs, sabbaticals)

Don't Grow Employee Retention Weeds!

When you understand that effective employee retention goes beyond simply adjusting compensation and benefits, you can avoid the most common, costly, and least effective approach to employee retention—the "employee retention weed garden." This is the syndrome of trying to improve employee retention, only to find that the problem comes back worse than before. Here are the basic steps:

1. An organization recognizes that it has an employee turnover problem.
2. The organization sets up a task force, does some benchmarking, and revises its compensation and benefits packages (rightly addressing the lowest, most basic level of the employees' hierarchy of needs).
3. The organization sees a temporary (12- to 24-month) reduction in its employee turnover problem.
4. Employees, now that their basic needs are being met, naturally begin to seek fulfillment of their higher needs—acceptance, esteem, fulfillment, and self-development. The demand increases for interesting projects, meaningful relationships with managers and colleagues, and a clear career path.
5. Faced with such demands, the senior managers feel that their employees, whose compensation and benefits have just been substantially improved, should be grateful and happily and productively engaged in their assigned tasks and not militating for yet more perks.
6. Embittered, the senior managers vow to "never be trapped by this employee retention malarkey again." Employees will be paid appropriate to the job and that's it. Conceding on

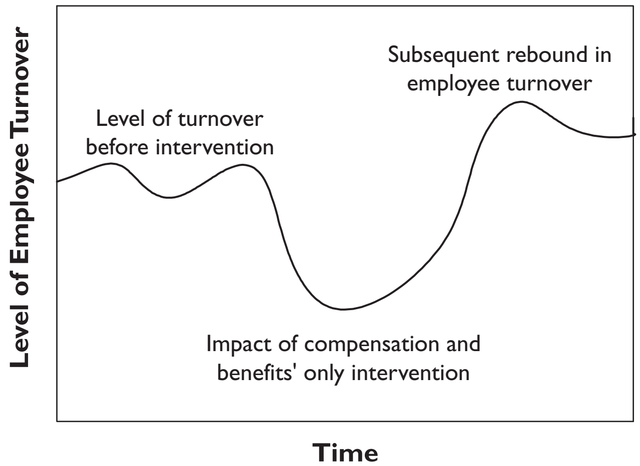

Figure 1-1. The employee retention "weed garden"

anything else obviously brings only trouble and grief.

7. The employees become increasingly aware that the senior managers are withdrawing from constructive engagement and acting surly toward any suggestions from the employees.
8. The organizational culture spirals downward into mutual distrust and the employee turnover problem returns—only, like weeds in a garden, even harder to eradicate.

Figure 1-1 depicts the "employee retention 'weed garden.'"

In the chapters that follow, we'll see what those higher, "non-compensation-and-benefits" needs are, how they are met, and how to plan and implement an employee retention strategy that incorporates ways to meet them.

What "Employee Retention" Might Mean Soon

We've seen that employee retention started as a simplistic, "compensation and benefits" response to the systemic rise in voluntary employee turnover, then developed into a wider, holistic approach, addressing deeper needs such as acceptance, esteem, and self-actualization.

Before we move into the next section (and begin developing your specific response to employee retention issues), let's close

Plan to Address Higher Needs

In designing your employee retention strategy, recognize in advance that compensation and benefits are just a start (as we'll cover in Chapter 5), so you can begin dealing with the other, higher needs of your employees. By anticipating those higher needs and planning in advance to meet them—once you've addressed the basic, monetary needs—you and your fellow managers will not be surprised when your employees begin that dialogue. In fact, you'll be prepared for it.

this section by looking at the main trends that are impacting approaches to employee retention currently and are likely to do so increasingly in the near future.

In particular, we will look at four prominent factors in current thinking on employee retention:

- Core competencies and outsourcing
- The rise of the "free agent"
- The so-called "war for talent"
- Becoming an employer of choice

Core Competencies and Outsourcing

In 1990 C.K. Prahalad and Gary Hamel wrote an article titled "The Core Competence of the Corporation" (*Harvard Business Review,* May-June 1990). Their idea—that organizations had *core competencies* (skills and activities that are essential to an organization's success and that the organization must do well) and not-so-core competencies (skills and activities that are not essential to an organization's success and that it probably isn't doing well)—slowly gained acceptance as a competitive strategy. As a result, the book that Prahalad and Hamel pub-

Core competence (or **competency**) "A bundle of skills and technologies that enables a company to provide a particular benefit to customers." That's how C.K. Prahalad and Gary Hamel define this term in *Competing for the Future*. Core competencies contribute to the competitiveness of a range of products or services. They transcend any particular product or service and perhaps any particular business unit within the organization.

Dump or Outsource

MegaOffex, an office equipment manufacturer, might conclude that its core competencies are in designing, manufacturing, and marketing office equipment and not in manufacturing and selling office supplies. It would either dump its supplies business, thus freeing up its resources and people to concentrate on core competencies, or sell it to another organization for which manufacturing and selling office supplies is the core activity ... or to a competitor that does not follow the core competency model.

Later, MegaOffex might decide that providing catering facilities for its 23,000 employees is also not a core competency and thus decide to outsource that activity to a catering company.

lished several years later, *Competing for the Future* (Harvard Business School Press, 1994), has become a best seller.

The essence of the core competency model—that organizations should either dump non-core activities entirely or outsource them to other organizations (for which the activities are core)—began to make an impact on the workplace from about 1997 on.

The realization that organizations should limit their business areas had a profound impact on the development of employee retention strategy for medium-sized and larger organizations during the late '90s. In essence, it allowed them in certain circumstances to remove employee turnover as a management concern altogether.

The argument around the board table (or inside the CEO's head) goes something like this:

Question: We're experiencing excessive employee turnover in our plastics division. Turnover everywhere else in our company seems relatively OK. We're good employers. Why should this be?

Response: Manufacturing plastics isn't our core activity—we make and sell ballpoint pens. The only reason we have a plastics division is to supply the raw materials for our pens. It's no wonder the employees are unhappy and leaving. We don't know how to run a plastics manufacturing operation. Our core skills are assembling and marketing pens. We'll never know how to run a plastics manufacturing plant correctly—it's just not a strategic fit with our skills.

Solution: Let's sell the plastics division to somebody who's in the plastics business and then buy back the finished product from them. They'll make a better and cheaper product than we can make. And, because we won't have a plastics division, we won't have a turnover problem.

As a result of pruning and refocusing on core competencies, many larger organizations were able to remove major employee turnover issues with one stroke.

Now, many new companies, divisions, plants, product lines, and other organizational units are adopting the core competency model right at the outset, focusing on hiring employees only for their core activities and purchasing non-core products and services externally. This trend is very likely to continue in the future.

The Rise of the "Free Agent"

During the late '90s and (only just) into the new millennium, one event (temporarily) impacted the concept of employee retention more than any other—the rise and fall of the dot-com phenomenon.

As a result of a combination of factors—primarily the easy availability of capital, the temporary suspension of the profit principle, and the invasion of the workforce by Generation X—the dot-com phenomenon caused two particular distortions in thinking about what constituted employee retention.

The first of those distortions was somewhat superficial; we can discuss and dismiss it in short order. The second distortion had a greater impact on employee retention.

During the dot-com ascension, there was an overemphasis on the perceived needs of one narrow group of employees—20- to 30-year-old professionals. This in turn produced an emphasis on those aspects of employee retention that could be purchased with money—most commonly the following, in order of perceived importance and impact:

Generation X People who were born between 1963 and 1982, some of whom are still entering the workforce for the first time

At the time of writing (2002), there are two generations of workers who hold most of the jobs. The older group is the Baby Boomers (those born between 1945 and 1962). They hold the greatest share of policy-making and upper-level positions, except in some high-tech companies, some startups, and industries often identified with "youth"—entertainment, advertising, graphic design, etc. The other generation is Generation X.

The designation comes from a book published in 1991 by Douglas Coupland, *Generation X: Tales for an Accelerated Culture* (St. Martin's Press), in which he defined the years as 1960-1970. In their book *13th Gen: Abort, Retry, Ignore, Fail?* (Vintage Books, 1993), Neil Howe and Bill Strauss set the Gen X years as 1961-1981. Other dates have been proposed. The years are just numbers, however, because Generation X is an attitude, a culture, and—of course—a stereotype.

A major distinction between the two groups is that while Boomers seem somewhat at ease with this designation, Gen-Xers seem uniformly to bristle at being referred to as such. Use the label with care!

- stock options
- BMWs (or occasionally Porsches)
- fussball tables
- free soft drinks

Even before the dot-com boom began to bust, it was becoming clear to most people (employees and employers alike) that this was nothing more or less than a Maslow's hierarchy of needs list, adapted for modern times. The much-vaunted stock options were no more than a "hygiene" factor like any other element of "compensation and benefits" (and with less impact on employee retention, as it turned out, than a basic salary package). The fussball table and free soft drinks were simply a reincarnation of the employee cafeteria. The BMWs and Porsches were a direct substitute for … um … the BMWs and Porsches of old.

Later in the book, we'll examine in more detail the impact of the dot-com era and, in particular, the hugely overstated role that stock options have come to play in employee retention.

A much more important and lasting aspect of the dot-com era that will continue to materially impact many employers' approaches to employee retention is the rise of the external consultant or *free agent*.

> **Free agent** An independent worker. Free agents would include the self-employed, freelancers, independent contractors, people running home-based businesses or "micro businesses," solo practitioners, and independent professionals. Some studies have estimated that free agents account for one-third of the workforce.

Buoyed by a high economy, large sums of money in the system, and the enormous demand for almost every imaginable skill, many employees launched themselves into self-employment. (At the height of free agency, Daniel H. Pink in his book, *Free Agent Nation* [Warner Books, 2001], estimated—somewhat liberally—that 33 million people had adopted this status.)

Although described in many different (and often exotic) ways, free agent status is in essence the employee response to the core competency argument. The argument around the kitchen table or inside the free agent's head goes something like this:

1. If my employer can redefine its core competency at any time, I have no job security left. I can be deemed "non-core" at any time and let go. Maybe I should take my destiny into my own hands.
2. This core competency model is a good one. If organizations have core competencies, so have I. I'll find out what my core competency is and then sell it to the highest bidder.
3. Concentrating on core competencies, resizing, downsizing … whatever you call it, it all means one thing to me—I'm under even more pressure to do more in less time with fewer resources. My entire work-life balance is shot to pieces. I'll become a free agent. When I'm free from these importunate demands from my employer, I can develop a

Researching "Brand You"

If you work with a lot of free agents, or just want to know more about the phenomenon, check out Dan Pink's book, *Free Agent Nation*, Tom Peters' slim tome, *The Brand You 50: Fifty Ways to Transform Yourself from an "Employee" into a Brand That Shouts Distinction, Commitment, and Passion!* (Knopf, 1999) (an easy read—the book isn't much longer than the title), *Fast Company* magazine, and www.guru.com.

For other resources, fire up a search engine such as www.google.com and type "free agent" or "Brand You" in the search box.

proper work-life balance at home.

The first argument has much validity: it's merely an extension of the reason why people have long become consultants or self-employed—to gain more control over their future. It's an echo of one of the most basic of Maslow's hierarchy of needs—the need for security.

The second and third arguments—often combined in a concept called "Brand You" and much promoted by *Fast Company* magazine, management guru Tom Peters, and others—lured many people into becoming free agents for all the wrong reasons.

Many free agents found out the following facts of free agent life:

- Except for a few exceptional individuals, life as a free agent brings even less chance of work-life balance than the average full-time job.
- Life as a free agent is very lonely: most people are too gregarious to thrive in the socially barren world of free agency.
- Free agent status is exactly how *not* to concentrate on your core competencies. To be a free agent, you also have to be good at "non-core" activities, such as marketing and selling yourself, writing proposals and negotiating fees, bookkeeping, and typing letters.
- If you really want just to concentrate on core competencies, the best bet is that boring old concept, the full-time

job. With a full-time job, your employer handles all those other tasks and lets you concentrate on what you are good at and want to do—the very definition of core competency.

When the money began to dry up and the economy turned downward, many free agents didn't have the marketing and sales skills necessary to get enough work to pay the bills. As the dot-com era ended in late 2000 and early 2001, many people who had tried the free agent option, with varying success, gradually returned to full-time employee status.

Free Agents and Employee Retention

The rise and fall of the free agent redefined the role of the independent worker and is impacting employee retention strategies in two (complementary) ways:

1. Employers began to see that there are many people (employees and potential employees) who are free agents at heart, by their desires, passions, and ambitions. Such people respond to different "retention stimuli" than the typical employee, who rarely, if ever, thinks about striking out alone.
2. It's now better understood and accepted that many jobs in an organization (even those that are "core") need not be "jobs" at all—they can readily be transformed into assignments that can be performed by independent contractors. This in turn radically alters the employee retention equation for those relationships.

> Smart Managing
>
> **_Free Agents Among Your Employees_**
>
> Smart managers recognize that employees and potential employees have changed over the past decade. Many of them are free agents at heart. They're motivated differently—and to keep them around you need to treat them differently. Later chapters will offer some suggestions, but it's up to you to know your employees and how they think and feel.

In Chapter 7 we'll examine in depth the impact on employee retention of hiring independent contractors—free agents—rather than, or alongside, "core employees."

The War for Talent

After the concept of core competencies and the rise of the free agent, the third key factor in current thinking on employee retention is a theory encompassing employee acquisition (hiring), employee retention, and performance management sometimes called "the war for talent."

When this phrase was first used is lost in the dusty web pages of time, but it gained most exposure when the consulting firm of McKinsey & Company in 1997 issued a report (and later a book) titled *The War for Talent*, based on a study involving 77 companies and almost 6,000 managers and executives.

The "war for talent" mindset proposes that:

- The number of high-caliber individuals out there who can perform your organization's "mission-critical" (core competency) tasks is limited.
- Those individuals are basically mercenaries for hire.
- You're in a war with your competitors to attract and keep such individuals.

Later espoused by many prominent "HR thinkers," such as John Sullivan of San Francisco State University, the "war for talent" approach stresses that employers must present a compelling "employee value proposition"—essentially a set of reasons why a potential employee should come and work for you rather than go elsewhere.

Where Does Retention Start?

Whatever the validity of the underlying approach, the "war for talent" methodology made an undeniably positive impact on employee retention thinking, through the realization that it's much easier and considerably less expensive to retain a current good employee than to find a new one.

That's something that sales and marketing executives have

> ***Retention Begins with Presence and Image***
>
> Effective retention begins before the hire—in your recruitment literature, of course, but also in corporate and product literature, advertisements (for recruitment and for sales), press releases, product branding, company image, management reputation, and a myriad of other messages that your organization puts out into the marketplace about what it is, what it does, and how it does it.
>
> As we'll see later, these signals act as filters in two ways: they determine the type of person who applies to work for your organization and they set the bar for later decisions by the employee about whether or not to stay with your organization and for how long.

long known about customers, that it's much cheaper and easier to keep and develop current customers than to find new ones. The "war for talent" approach emphasizes that employee retention can't just start months or years after a person joins the organization, because the employee's perceptions of the organization are massively influenced by the following aspects:

- what he or she saw and heard before joining the organization,
- how he or she was treated right at the outset of the relationship, and only then
- how he or she is treated on an ongoing basis.

In other words, starting to work on retention a year or two after a person joins the organization (a typical response in the "employee turnover = employee retention" mindset), when the possibility or probability of the employee leaving has become obvious or acute, is much too late. Even starting to work on retention as soon as a person joins the organization is still too late.

Becoming an Employer of Choice

Finally, in our survey of current trends in employee retention, we come to the concept of "employer of choice." It's basically a variation of the "war for talent" approach.

In its raw form, the aggressive "war for talent" approach to employee retention has proved somewhat too strong for many organizations and irrelevant to many situations. In particular, the purist version of "war for talent" calls for grading employees into streams ("A," "B," and "C" performers) and taking differing approaches for each: promote "A," develop "B," and "lose"—fire—"C." This theory was an extension of the now-renowned grading system introduced to GE by Jack Welch. Although it's useful in some circumstances, this approach has proved difficult to implement and sometimes inappropriate. It's also directly opposed to the collaborative, supportive working environment that many organizations want to promote.

As a result, a hybrid version of the "war for talent" approach developed, emphasizing the benchmarking activities necessary to develop the "employee value proposition" and involving the organization in adopting the employee retention best practices of similar organizations. In this approach, known (briefly) as "best in class" and now more often referred to as "employer of choice," the organization:

- Investigates and adopts best practices in retention
- Extends retention backward to pre-hire activities (as in the earlier sidebar)
- Pushes the impact of retention forward beyond the hire to incorporate the employee's management, development, and managed separation from the organization.

You may be thinking that this whole discussion of "employer of choice" and "war for talent" is irrelevant here. After all, you're just a manager, not the CEO. What can *you* do?

You can still think in terms of the "employee value proposition" that you present to job prospects. You can still think in terms of retention beginning with your first contact with a job prospect. Finally, you can do your best to be a "manager of choice."

Manager's Checklist for Chapter 1

❑ There is no single definition of employee retention that fits all circumstances. You'll use this book to develop the correct definition for your organization and your particular unit.

- ❑ The concept of employee retention developed as a response to increasing voluntary employee turnover.
- ❑ Initially, employee retention dealt mostly with employee "hygiene factors"—primarily compensation and benefits.
- ❑ It soon became clear that sustained employee retention called for a more holistic approach, that dealt with employees' "higher needs" such as acceptance, esteem, and self-fulfillment.
- ❑ Three particular trends are currently shaping employee retention strategies:
    - The concept of "core competencies."
    - The rise of the "free agent."
    - The concept of becoming an "employer of choice."