NANO TOOLS FOR LEADERS®

PROTECT YOUR TALENT INVESTMENT

Nano Tools for Leaders® are fast, effective leadership tools that you can learn and start using in less than 15 minutes — with the potential to significantly impact your success as a leader and the engagement and productivity of the people you lead.

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THE GOAL:

Retain your team's top talent.

THE NANO TOOL:

High rates of turnover are commonplace today, and no broad retention plan can change that. The market, more than your company, determines turnover. So the best retention strategy is to make your efforts highly targeted on influencing which employees leave and when.

Some talent on your team you will want to keep indefinitely, and others will be important for shorter periods of time. Still others are easily replaceable and don't warrant an investment in retention. Making this distinction by employee and role should be done before considering the four retention action steps below. They can be tailored for different employees and the level of demand for their skills.

ACTION STEPS:

Follow these four steps to protect your investment by retaining top talent.

1. **Create social ties.** To significantly reduce turnover among employees whose skills are in high demand, encourage the development of relationships and community. People stay in jobs when they feel they are cared about. As a manager, create close-knit teams to work on specific initiatives; they're likely to stay intact and research shows that they increase team members' commitment to work.
2. **Design jobs.** For key talent, increase retention rates by thinking carefully about what the job entails. Create opportunities for growth within the job, including stretch experiences, global assignments, cross-functional and -geographical exposure, formal classroom programs, and mentoring. Jobs can also be defined to influence when people will leave (see the Wall Street example below).
3. **Tailor some jobs to individuals.** Managers can alter rewards, benefits, and assignments to individual wants and needs. One employee might be satisfied with a part-time arrangement, while another might be happy with tuition reimbursement. While such individualized arrangements are unusual, and can have effects on morale (and some may raise legal concerns), this option is still worth pursuing. Most companies have always recognized and rewarded high

potentials differently, and salaries in general are based on the labor market (workers in high demand fields get paid more). Providing greater benefits to hard-to-replace employees with critical skills is in line with these traditional practices.

4. **Pay them to stay.** Once considered the most important retention strategy, money alone won't keep talent — there's almost always another company that can pay more. Instead, consider how to use compensation to encourage key talent to stay and for how long. For employees with crucial expertise that is in short supply, pay a premium, but only until either the skills are no longer as valuable to you or they become more easily attainable. For new hires, don't pay signing bonuses all at once. Paying them in stages encourages them to stay (at least for the short term).

HOW COMPANIES USE IT:

- Carl Glaeser, general manager of Ingage Solutions, a Phoenix-based division of AG Communication Systems, has held the turnover of software engineers to 7%, mainly by developing programs that create a social community in the workplace. Golf leagues, investment clubs, and softball squads create social ties and bind workers to their current jobs. Leaving the company means leaving your social network of company-sponsored activities.
- When Comcast hired Mike Cavanagh as its chief financial officer in 2015, they gave him $40.6 million in compensation, which included a stock-based $12.5 million signing bonus and $10 million in deferred compensation that replaced money he forfeited when he left his prior employer, private-equity giant Carlyle Group.
- Prudential is one company that has begun to adopt this market-driven perspective. Its "Building Management Capability" program, which integrates recruiting, retention, and training efforts, is geared toward an increasingly mobile workforce. "Gone is the notion that employees are going to stay with one company for life," says Kurt Metzger, a human resources executive at the company. The Prudential program is anchored by a sophisticated planning model that projects talent requirements and attrition rates. The model enables business-unit managers to develop highly targeted retention programs and create cost-effective contingency plans for filling potential gaps in skills. Prudential has begun doing what most companies avoid: making a truly honest assessment of how long the organization would like employees to stay on board.
- Wall Street investment firms were once plagued by erratic, unplanned turnover among junior analysts. The companies addressed the problem by requiring the analysts to leave after three years. Forcing people to quit may seem like an odd way to solve a turnover problem, but it makes a lot of sense. The real issue, after all, was not that the junior analysts were leaving — it was expected that many would go on to business school — but that the firms could not predict who would leave or when. As a result, project teams were often left understaffed, leading to delays and quality problems. Now that they know junior analysts will depart at the end of their third year, the firms can design projects to coincide with analysts' tenures. Having clear termination dates also creates large, well-defined employee cohorts, making training and development easier. The emergence of the three-year stint as an industry standard helps ensure that employees stay for the full period because a junior-analyst job lasting less than three years looks bad on a résumé.
- When Associated Communications (now Teligent) gave Alex Mandl, AT&T's heir apparent, a $20 million signing bonus to become its new CEO, it paid out the money over five years. Such bonuses are proving useful in retaining lower-level employees as well. Burger King, for example, offers workers a signing bonus but withholds payment until they've been on the job for three months. Three months may not seem like a long time, but in the fast-food business, where annual turnover averages 300%, it's an eternity.

ADDITIONAL RESOURCES:

- "Talent Management: Conceptual Approaches and Practical Challenges," Peter Cappelli and JR Keller. Annual Review of Organizational Psychology and Organizational Behavior (2014). Reviews the literature on talent management, outlines its evolution over time, and presents new topics for future research.
- "Why You Should Retrain Your Employees to be Your Data Scientists," InfoWorld (Oct. 17, 2016). Highlights research by Peter Cappelli on retraining existing employees versus hiring new ones.
- "The Employee Training Conundrum," Peter Cappelli, Human Resource Executive Online (Feb. 22, 2016). Outlines the decade-long decline in employee training programs.
- Peter Cappelli teaches in Wharton Executive Education's *Business Essentials for Executives* and *CEO Academy®*.

ABOUT NANO TOOLS:

Nano Tools for Leaders® was conceived and developed by Deb Giffen, MCC, Director of Innovative Learning Solutions at Wharton Executive Education. It is jointly sponsored by Wharton Executive Education and Wharton's Center for Leadership and Change Management, Wharton Professor of Management Michael Useem, Director. Nano Tools Academic Director is Professor John Paul MacDuffie, Professor of Management at the Wharton School and Director of the Program on Vehicle and Mobility Innovation (PVMI) at Wharton's Mack Institute for Innovation Management.