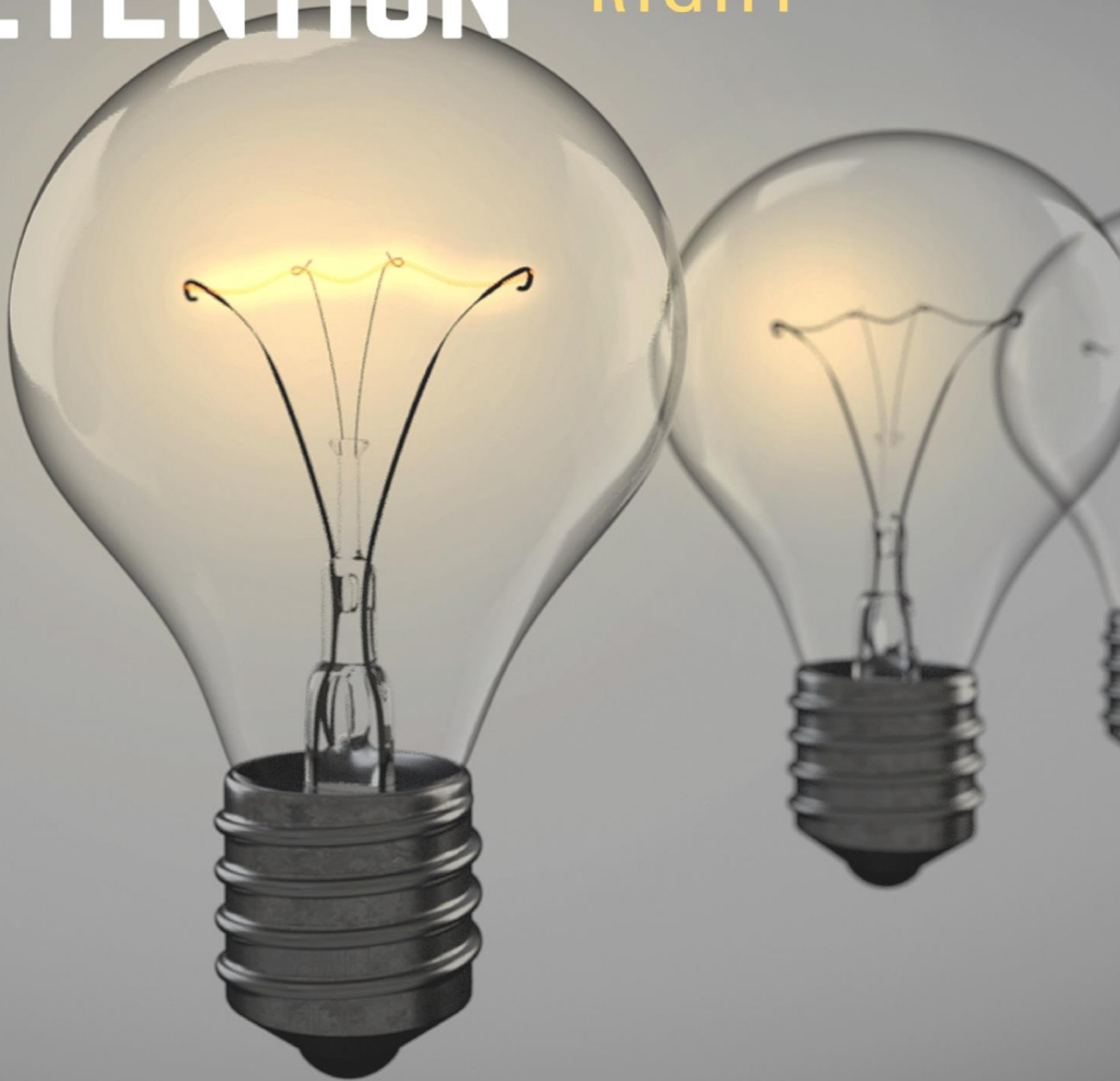


EXECUTIVE RETENTION

GETTING
THE BASICS
RIGHT



WYNDHAM MILLS
INTERNATIONAL INC

REALITY-BASED
BUSINESS COACHING

Executive Retention

The estimated cost of losing a mid-level manager is estimated at 1.5 times annual salary. The estimated cost of replacing an executive manager is 3 to 5 times annual salary¹.

What are the financial and strategic costs of turnover in your organization? We recommend that leaders focus on the 20 percent that will provide the most traction in retraining key talent.

The 20/80...Turnover can sap the strength and competitive advantage from any organization. 80% of executives participating in a recent survey had changed employers within the last 2 years. And, if that was not bad enough, almost 50% of those appointed to the office of president of a US public company can be expected to leave within four years².

Many companies are facing this issue, which survey after survey tells us is not about compensation. We believe this is an opportunity for leadership to step in and develop plans for valued executives.

There are no short-cuts for the basic blocking and tackling of retention - Executive-level retention plans need to be crafted to create "stickiness". - It is our view that there are three basic dimensions that are critical to successful retention initiatives.

First, you need to **link** the individual to the organization and to the community. Next, you must ensure a perception of **fit** within the organization and within the community. And finally, you must continuously increase the **sacrifice**³ an executive must make to "seek opportunities elsewhere".

Over the next few years "key player" retention will be critical to enterprise success. Economic growth and aging demographics are expected to grow the demand for the total number of senior manager and executive positions by 15 percent. This increase will put inordinate pressure on an organization's retention efforts. If retention initiatives are not successful the loss of executives will diminish enterprise knowledge and resilience and thereby mitigate their ability to compete in today's hyper-change/fast paced marketplace.

This requires that we view the acquisition and retention of talent in light of the new reality as defined in the recent work *The War for Talent*:

- Companies need people
- Talented people are the competitive advantage
- Better talent makes a huge difference
- Talented people are scarce
- People are mobile and their commitment is short term
- People demand much more

Traditional thinking about retention

Academics and practitioners alike continue to study employee behavior around the issue of retention. One finding recently clarified the reason people stay is generally not the same reasons people leave.

Why they leave... A recent study highlighted four paths to departure...

- Work judged not to be exciting
- Lack of fit or understanding of Company values
 - Culture and Values
 - Leadership
 - Management
- Development
 - Growth and advancement
 - Company Committed to me
- Rewards

Why they stay Historically, the two primary reasons for retention are a combination of job satisfaction and fewer alternatives. With similar levels of job satisfaction, those with fewer alternatives tend to stay.

While there is little you can do about the number of alternatives your executives will face in their career, creating a foundation in job satisfaction is critical to designing plans to retain employees and executives alike. For starters, we have found that employees who have awareness of themselves and their value to the enterprise, understand their purpose within the organization, and are competent within the scope of their job have greater well-being and are there able to add value to the organization and its customers and attain a superior level of job satisfaction.

Understanding job satisfaction

Creating a mental model for job satisfaction is dependent on many factors. We have found a good surrogate in a needs fulfillment framework.

Subsistence	Structure & control	Identity & purpose	Belonging	Opportunity
<ul style="list-style-type: none"> ✓ <i>Work for a paycheck</i> ✓ <i>Work in a safe environment</i> ✓ <i>Feel secure in your job</i> 	<ul style="list-style-type: none"> ✓ <i>Control your own destiny</i> ✓ <i>Know what is expected</i> ✓ <i>Know why things happen</i> 	<ul style="list-style-type: none"> ✓ <i>Stand out from a talented crowd</i> ✓ <i>See value in your work</i> ✓ <i>Take pride in your skills and abilities</i> ✓ <i>Do good for others</i> 	<ul style="list-style-type: none"> ✓ <i>Be part of a respected group</i> ✓ <i>Feel part of something special</i> ✓ <i>Feel like an owner</i> 	<ul style="list-style-type: none"> ✓ <i>Learn and grow as a person</i> ✓ <i>Be challenged</i> ✓ <i>Try something new and different</i> ✓ <i>See personal progress</i>

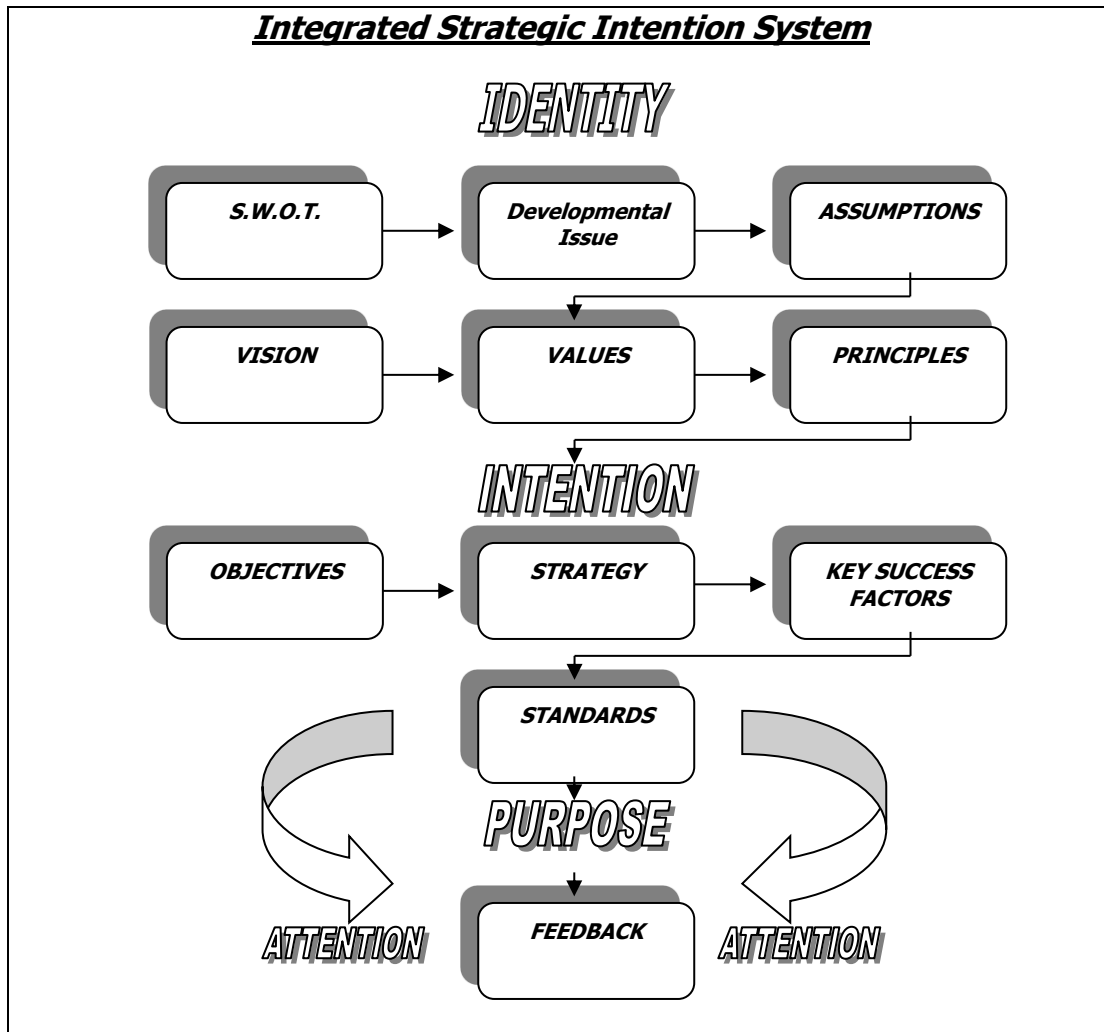
Understanding job satisfaction through needs fulfillment⁹

Our reasoning assumes if your executives workplace needs' are being met, then they are going -to feel positive about job satisfaction (the reason people stay). The needs fulfillment framework (see inset) includes five areas ranging from subsistence (e.g., competitive pay and security) to opportunity (e.g., able to learn and grow as a person).

Many of these individual needs should be aligned with the organization's strategic direction (see inset Strategy Focused Development framework). This framework insures that employees understand their identity and purpose and are clear on the enterprise intention (overall objectives and strategies) and the metrics that will insure successful attainment of same. This rigor along with the framework is the foundation for distinctive job satisfaction....and supports the precept of having the right people doing the right things for the right reasons at the right time and attaining the right results.

This rigor along with the **Right Action Systems** framework is the foundation for distinctive job satisfaction....**Right Action Systems** support the precept of having the **right people** doing the **right things** for the **right reasons** at the **right time** and attaining the **right results**.

Retention basics



Understand why your people leave...There is no substitute for information about your organization, and the reason people stay. You should conduct exit interviews, and consider a one to three month post-departure follow-up by an independent source to confirm the initial reasons given for the executive’s departure. This process should parallel your efforts for all employees.

Understand why your people stay...Unless you have recently discussed the issue with your executives, you probably are not certain of their perspective of why they continue with the organization. While this is a tricky thing to do with senior executives, it is easier than finding their replacement. Focus groups can provide some insight into the organization as a whole, and what is working to keep them at work.

Understand general job satisfaction level... Utilize a survey that provides a general barometer for the entire organization. - This should be conducted - on a periodic basis- It provides a basic thermometer on the organizations perspective. - Organizational climate surveys help you to spot trends and measure the impact of communications and other programs. Keep in mind that job satisfaction is the primary reason people stay with their current employer.

Understand your competitive position on compensation... The definition of an "A" player from Bradford Smart's *Topgrading* is *one who qualifies in the top 10% of those available...at the given compensation level*⁶. An "A" player is someone that you want to nurture and retain. The internet has brought information to all of us, including relatively broad access to competitive compensation information. Use this tool to insure that have a competitive-value proposition"- for these employees.

Act on this understanding Talk the talk and walk the walk. Develop, execute, measure and refine plans that act on your understanding of why. Address those root causes, communicate and commit to these plans and reinforce the messages. Make sure that leaderships' espoused theory is aligned with their theory of action and practice.

Building executive retention plans

While general elements of a retention program are applicable across the organization, executive retention should be addressed individually. Your leadership team should build on the common elements of an executive retention framework and the company-wide Retention Basics and create a unique retention proposition for each key executive around three key elements of *link, fit* and *sacrifice*.

Link the individual into the organization and into the community. Look for ways to build their relationship to and within the organization through teams, mentoring, coaching, choosing their own clients. Additionally, increase their community relationships through there external interests of charity work and community groups.

Consider providing individualized Business Coaching to Key Executives. We have found that individualized Business Reality-based Coaching helps key executives with their fit in the organization and provides them with self-awareness which maximizes their ability to manage themselves and others. Plus, it demonstrates that the organization is interested in investing in their success.

Assure fit within the organization and the community. This is best done by looking at the stage of an executive (e.g., recent hire, new to division, lifer in home-office). For example, we know an executive who recently changed companies and has not once in his first six months been to lunch, or had an informal discussion with any of his peers nor his supervisor, the CEO. How well do you feel his new company is managing fit for his retention?

Increase the sacrifice the executive must make to leave Traditional themes here are retirement and long-term compensation in the form of options. A not so common sacrifice might be increasingly better seats each year for sporting events, and paid tuition for college bound dependent. Look for the golden handcuffs which fit most snug to each individual.

Leadership must walk the walk

We believe the best retention propositions are going to be designed and executed by you and your leadership team. At the executive level, one approach is to make sure an individual is doing those activities that, as one author put it, "matches their deeply embedded life interests"⁷. (see insert)

Intuitively, you know those with a passion for numbers and the executives with a love for sales. Consider these passions as you make assignments and design positions for individuals.

Conclusion

We believe the best retention plans are based on a solid foundation of “getting the basics right”. Doing the human resource blocking and tackling (e.g., customer satisfaction surveys) coupled with the organizational alignment attributable to constructs like the Right Action System™. Further, we believe you must develop retention plans for each of your key executives.

Individual retention plans should be part of an executives overall development plan and make explicit the ***links, fit*** and ***sacrifice*** design elements to assure the future success of your business by continuing to build on the right people.

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