

AMERICAN BUSINESS MEDIA

The Association of Business Media Companies

Recruiting And Retaining Top Talent

by Dana Shilling

It's an ill wind that blows nobody good. The Black Death, the medieval plague that nearly depopulated Europe, actually had beneficial effects on the (surviving) peasants. Landowners, suddenly faced with a labor shortage, had to increase wages and grant their workers more freedom.

It would be too drastic to describe the threat of the Internet "dot.com" companies to "old media" companies by intoning "You've got plague," but the large-scale migration of writers, editors, production personnel, and marketers from the business press to the dot-coms has forced print media to reconsider their HR practices in the interests of recruitment and retention. Even apart from "dot-competition," employers are faced with a 4 percent unemployment rate (lowest in three decades), so retention becomes more crucial than ever if employers find it almost impossible to get new hires.

Recruitment and retention, and the way we disseminate our company culture, is not the sole province of HR, but a key responsibility of all managers in the corporation.

The dot.com brain drain may be a temporary phenomenon: a lot of those start-ups are going to be merged or acquired, leading to consolidation of their workforces, or will simply go out of business once they burn through their venture capital funding.

Furthermore, as syndication of on-line content becomes more prevalent, many sites will purchase syndicated content rather than developing their own content in-house. As the software tools for site design become more sophisticated, and as on-line direct marketing techniques become more automated, jobs will also be phased out in these areas.

An established media player, that has been providing service to readers and advertisers for years or even decades, can provide a much more stable environment and is much more likely to be around decades in the future than a new company that has a high risk of being a flash in the pan. Not everyone is entrepreneurially minded, and stability in itself is a virtue that can be appreciated by many.

Maybe the best thing to do is keep the jobs open, and wait for your ex-employees to ask for their old jobs back! Nevertheless, in the short term, recruitment and retention problems can be tackled by improving the work environment. Making employees feel trusted and appreciated, involving them in development, recognizing their ideas and contributions, and providing the training and

mentoring they need to advance with the organization all help to stem turnover.

Not all current economic trends are negative for recruitment and retention. The prevalence of mergers, acquisitions, and roll-ups in many industries means that many executives and technical people are available for recruitment because of duplication of job functions within the aggregated enterprise.

Losses Via Turnover

As a crude estimate, replacing an employee costs the equivalent of a year and a half of annual compensation. Having to do a search, especially a prolonged search, for a corporate leader can cost two or two and a half year's pay (and each year's pay can be in six figures). For example, if the average compensation throughout the organization is \$40,000, and if turnover is 10 percent of 500 employees, then turnover each year subtracts $50 \times \$60,000$, or \$3 million, from revenue. Bill Bliss suggests factors for doing a more sophisticated calculation of the cost of turnover¹:

- Cost of a temp, or extra work done by the remaining employees, until the exiting employee is replaced.
- Diminished productivity of these substitute workers.
- Cost of the exit interview process, plus processing forms related to termination.
- Waste of the cost of training given to the person who is leaving.
- Severance benefits, if any, available to the person who leaves.
- Loss of his/her expertise, knowledge, and contacts.
- Impact on the company's unemployment insurance experience.
- Recruitment costs, whether a simple classified ad or an expensive executive search.
- Time spent to educate recruiters about the specific needs of the business and the specific position to be filled.
- Time spent working with a recruiter or employment agency-or time spent analyzing applications and interviewing candidates.
- Processing costs for adding a new employee to the HR system.
- Training the new employee.
- Impact of diminished productivity while the new employee gets up to speed; he or she may never become as productive as the person who left, and some beginner's errors can be quite costly.

It's ironic. Any organization contains a certain amount of deadwood, people who for one reason or another can't be fired. You can hope that they'll find other jobs, or that they'll take early retirement incentives. But the people you really want to keep around, and are the most valuable to your organization, also have more other options, so they're the most likely to leave.

Research by Watson Wyatt Worldwide suggests that the companies with the best retention records also have above-average stock market performance. It makes sense: companies with solid leadership tend to be good places to work, which in turn promotes longer tenure and discourages job-hopping.

What Builds Loyalty?

In late 1999, when Lawrence Ragan Communications Inc. (Chicago) surveyed more than 900

corporate executives², the overwhelming majority of respondents said finding qualified employees is their biggest challenge. On a scale of 1-5 (with 5 at the most important), 72 percent said finding qualified workers rated a #5. For over half (55 percent), motivating employees rated a #5, and 43 percent said retaining qualified employees rated #5.

The most popular loyalty-building strategy was casual dress, offered by about two-thirds of respondent companies. Over half (57 percent offered flexible scheduling, and 52 percent had awards programs.

Five hundred professionals, surveyed by Mastery Works of Annandale, Va., almost universally said that pay and benefits were not the main motivators in their decision to stay with a job or leave it: 95 percent said this. The key issue was the ability to develop trusting relationships with upper management.

Most of the respondents said that they would rather not start all over again to build reputation and confidence and create a new network; they'd rather stay in their current jobs. However, if the upper echelons failed to establish trust, they would consider making a change.

Top Management Meeting Insights

One of the panels at ABP's late-1999 Top Management Meeting covered attracting and retaining talent in a changing media environment. The main presenters were Jim Rasmus (Advanstar Communications), Margie Davis (Adams Business Media) and David Bentley (Nordman-Grimm), with a keynote presentation from Marsh Freeman of Miller-Freeman.

As Freeman pointed out, the goal of retention is keeping those employees the organization wants to keep. His organization's retention factor is 73 percent of the 27 percent who left, more than 50 percent went to work for a competitor or stayed in the media business, so turnover could not be blamed largely on employees' desire for a completely new work experience. He discussed the "loyalty effect": the increasing value of employee tenure to the company and its shareholders. The longer employees remain with the company, the more value they add.

Davis spoke about human resources issues in business-to-business media. She pointed out that sometimes "re-recruitment" is worthwhile when an employee announces the intention to leave. Perhaps matching or exceeding a higher salary will do the trick. It certainly pays to keep in touch; the employee may be willing to return, or to recommend a good replacement candidate.

Davis also stressed the importance of quality of work life. Communicating corporate strategy and involving employees in decision-making build loyalty and aid retention. Even small and inexpensive quality-of-life enhancements (such as providing free snacks at the workplace, shortened summer hours, casual dress, openness to telecommuting) can have a strong productive effect. The PTO concept (Personal Time Off), aggregating vacation and sick days so they can be used flexibly at the employee's discretion, is also a motivator.

She also suggested using the corporate Intranet to share knowledge tools (especially knowledge that departing employees can share with those who remain with the company). Employees should be rewarded for performance, and for ideas that improve the company.

To Rasmus, the key is building the corporate culture by setting a vision or mission for the organization and actually implementing those principles and values. Behavior must go with vision, and there must be ongoing re-engineering and improvements, based on measurements of the extent to which goals have been carried out.

First, the organization must select the people it thinks are best to fill the jobs; then it must provide adequate training, further their career development, and reinforce learning with helpful performance evaluations. The organization must recognize excellence within its ranks and promotions should show consistent carrying out of policies and procedures. It's common for organizations to define their value creation proposition for their customers. Rasmus suggests adopting the same approach toward employees.

Headhunter Bentley pointed out that headhunters are not the enemy-and that they, too, benefit from reduced turnover. After all, if they find a candidate for a client, and the candidate soon quits or proves unsatisfactory, the search firm has to perform another search with no additional fee! He offered these characteristics of firms that attract loyalty and therefore have better retention rates:

- The company is a true meritocracy.
- It shows caring and empathy for its employees-and listens to them.
- It is exciting, but not restless or frantic.
- Future stars are identified early, and given the support they need to build a permanent career, and also become the future of the company.
- Compensation is at least competitive (although public companies may not be able to match the option grants at Web start-ups that offer the chance of an explosive IPO).
- The company concentrates on marketing (i.e., increasing revenues that can go through to the bottom line) rather than finances (i.e., too narrowly focused on cost cutting).

Other insights from the meeting include encouraging people to think that they have a career, not just a job, with the company, and checking with employees each quarter to monitor their performance and expectations. Employees should be allowed to nominate other employees for recognition-and perhaps a special award should be instituted for individuals who embody the values in the corporate mission statement. If the company applies for the Fortune 100 Top Companies to Work For, even if it does not achieve recognition from the magazine, it will get valuable feedback about what employees think, when they are interviewed by Fortune's investigators.

Salaries should be considered proactively. (The *ABP Salary Survey* provides valuable guidance on compensation trends.)

HBR View

A recent article in the respected *Harvard Business Review*³ examines conditions in the current job market. Basically, everyone is poaching from everyone else (or trying to) offering large compensation packages, signing bonuses, and buyouts of stock options.

According to St. Louis recruiter John R. Sibbald, out of a group of 150 prominent executives, 80 percent had changed jobs within two years. Not only do large companies have to recruit to replace their losses through attrition, they often need to recruit outside talent to get into new markets or business areas. Therefore, executives at marketing-oriented companies like Pepsi or Frito-Lay become attractive to companies facing a major marketing challenge. Telco executives are attractive to industries facing new challenges due to deregulation. Some companies take a drastic approach to expanding geographically: they just recruit an entire management team from a company in that market-or they go right ahead and buy the company to acquire its human assets!⁴

In Cappelli's view, market factors can't be eliminated, so companies should surrender the idea of being able to retain all valued employees. Therefore, particular employees or groups should be targeted for retention. Furthermore, companies should be realistic about how long the need continues. Some employees are essential to the company's long-range objectives; others, just to a specific time-limited project. One way to promote at least temporary loyalty is to offer a signing bonus, but defer its payment until the employee has completed a defined number of months of satisfactory performance. Or, if you can't beat 'em, join 'em: if you can't hire or grow your own in-house capacity for a needed skill, then outsource it.

"Golden hellos" (signing bonuses) and golden handcuffs (bonuses for staying around; penalties for departure) work perfectly-if you're the only company offering them! But if everyone offers them, all that happens is a bidding war. Furthermore, if you want to recruit a top candidate who has golden handcuffs in his or her current job, you'll have to be prepared to buy them out.

Stock options don't always work the way they're supposed to. If your company's stock has soared, dozens or hundreds of employees may retire to live on their stock wealth-or to start their own Internet companies! Even if they do stay, they may relax their performance, on the theory that they can afford to get fired. Stock options that are "underwater" (the option price is actually higher than the market price) certainly won't motivate anyone to stay.

Although compensation is key to retention, it isn't the only factor. Redesigning jobs to motivate the most valuable workers can help significantly. For instance, UPS was spending a fortune on training new drivers; restructuring the driver's job to eliminate loading the truck at the beginning of the run made the job more attractive. UPS still has high turnover among loading personnel-but they're much easier to find and train than drivers.

Much of the problem with turnover is unpredictability. Wall Street trading firms coped with the high attrition among junior stock analysts by re-defining the job as one that would last only three years. Paradoxically, this helped-because at least now the firms know how long the analysts will stay, and can plan projects around three-year cohorts.

Tailoring jobs more closely to employees' particular skills and needs can bear dividends. Employees may find the jobs more interesting and enjoyable. They might feel commitment to the task, even if they don't feel particularly connected to or loyal to the company. The upshot? They may work harder and be productive on the particular project they feel committed to, and provide better results, even if eventually they do take another job. Cross-training employees to handle new tasks not only makes their jobs more interesting, but makes it easier to recover when one employee leaves if others can take over work tasks.

In short, you can't just say, "We need a retention program." You have to determine the real value of each employee, and the real cost of replacing him or her-and target retention strategies accordingly. Instead of across-the-board signing bonuses for top jobs, consider substituting "hot skills" premiums tailored to your company's specific needs.

The Value of Mentoring

One theme that emerged over and over: employees who have mentors within the organization will not only learn valuable things that contribute to their productivity, but will have a more positive impression of the organization. At the Top Management Meeting, the "Internal Trade Show" was mentioned.

Companies strive to convey their message to potential customers, but often information is not

exchanged within the organization. The Internal Trade Show brings divisions up to speed on other activities within the corporation.

According to a survey by Fort Lauderdale's Interim Services Inc.,⁵ "workers place a high priority on training and education, job security, management's performance and good relations with co-workers." Close to two-thirds of employees who have access to mentoring, training or education say they are very likely to stay with their current employer. And it works both ways: 61 percent of respondents who have the chance to mentor others say they're very likely to remain at their current job for the next five years. According to this survey,

84 percent of respondents define loyalty by what they contribute, not how long they stay; only 13 percent consider benefits to be among the top three things they like about their jobs.

Gary M. Stern, writing in *Investor's Business Daily*,⁶ suggests that a formal, structured program rather than reliance on informal relationships, is most productive. For instance, mentors and learners can be asked to meet for an hour or two a week, in order to develop the skills that the learners need to advance within the organization and carry out its long-range objectives. A successful mentor will find out what roles the learners are playing within the organization, what they would like to do, and skills they need to fill those roles.

Telecommuting: Making It Work

Offering employees the chance to telecommute occasionally, for several days a week, or whenever they are not specifically required for an onsite meeting, is one of the most valued perks for employees, and therefore one of the strongest motivators and retention tools. It has an especially strong effect on valued employees who would otherwise be lost because of ill health, family needs, or relocation to follow a spouse.

Telecommuting doesn't just provide benefits for workers, however. If the employer company is moving to a high-cost area, or has a facility that is already bursting at the seams, allowing or requiring telecommuting significantly reduces rent or real estate costs.

Of course, there are no simple answers that resolve all business problems. Some projects require constant hands-on work and daily close-up contact among collaborators. Some workers, especially new hires or those taking on new skills or responsibilities, need a lot of training and supervision. Some people don't have the self-discipline to work in a completely self-directed manner.

And, of course, some people who do good work at home simply don't like telecommuting. Perhaps they find it too isolating, or they (rightly or wrongly) feel that they don't get the latest information about their projects. It can also feed into workaholics' tendencies to concentrate on the job at the expense of everything else, including family needs and rest and relaxation.

A few quick tips for making telecommuting a success:

- Set guidelines for who is allowed to telecommute, how often, and why; animosity can be created either by making some workers feel they've been "thrown out," and others feel that they have been denied the flexibility they want.
- Be specific and realistic about deadlines; keep monitoring to make sure they are met.
- Define in advance how satisfactory performance will be measured.
- Make sure telecommuters are kept in the loop about business and social events.

- Have your IT department go to the telecommuter's home to set up the equipment.
- Set guidelines for the dollar amount to be spent on office furniture.
- Compensate telecommuters for utility expenses, and for a telephone and a fax line.

In fact, some companies find that, in order to attract or retain a tight-knit unit of especially valued individuals, they have to give up all hope of getting the workers to relocate—so the company itself opens a satellite office for them!⁷ This can actually be a money-saving approach, because relocation can be quite costly. In a tight market, employers often have to promise job assistance for the employee's spouse, and perhaps a guarantee that the company will insulate the employee against loss of home-sale value. This is over and above traditional relocation expenses. Atlas Van Lines says about 40 percent of companies pick up all moving expenses for relocated employees, and that can run into thousands of dollars.

When Atlas Van Lines performed a relocation survey in 1999, about two-thirds of responding businesses said that at least one employee had turned down a new job that would involve relocation. The Employee Relocation Council discovered in 1998 (when the job market wasn't quite as tight as it is now) that approximately half of survey respondents found it moderately difficult or worse to hire the new staff they need (close to 15 percent) and had major recruiting problems.

Soft Perks

Employee benefits don't have to be highly structured, formal, or even expensive to have an effect on motivation and retention. (Here, too, it's the Internet companies that are leading the way.) Subsidized meals in a company cafeteria are always effective, especially if the menu includes imaginative and fashionable dishes, not just the same old sandwiches and meat loaf⁸. Costs are usually offset by a gain in productivity due to shorter lunches and less time away from the office.

If you don't have space and/or funds for a full-scale food service operation, even a small investment to provide employees with free drinks and snacks, or a weekly pizza party, can provide dividends in the shape of freer communications among employees, and increased loyalty.

"Soft" issues, and even seemingly trivial issues, can make a big difference in building or sabotaging retention. For instance, time sheets are a necessary evil in a business or professional firm that bills by the hour, but they are also a source of resentment for employees who have to spend time on a petty task that seems designed to catch them cheating. Firms that do not bill by the hour should ask whether the anger caused by requiring time sheets outweighs the benefits of additional information about time utilization.

Employees who don't feel that they are respected or trusted, or who don't feel that the company cares about them, are much more likely to quit.⁹ According to the Hudson Institute and Indianapolis' Walker Information, employees say that fairness, trust, and concern are the areas in which employers need the most improvement. Over half (56 percent) of survey respondents say that their employers fail to show concern for them. Close to half (45 percent) report unfair treatment; and 41 percent feel they are not trusted. Less than a quarter of respondents express commitment to their current employers sufficient to plan to stay for at least two years. Even two years is far from a lifetime commitment!

Age Shouldn't Wither

Sometimes employers create their own problems: they can't find and keep qualified workers, because their search parameters are far too narrow, or because they have a blinkered view of

career planning. Perhaps it would not be necessary to hire new employees, if the existing workforce were encouraged to adapt and develop the new skills that the company needs-instead of being treated as worn-out, used-up, and made to feel unwelcome because they're over 40, 50, or 60.¹⁰ (The existence of laws against age discrimination doesn't mean that age discrimination never occurs.) Don't automatically assume that "fresh, new blood" will be better for your company than seasoned experience, and don't assume that your current employees can't develop new skillsets unless you try.

Sometimes money can be saved by substituting less experienced new hires for current employees who are at the top of the pay scale. Sometimes new hires expect salaries on a par with the middle, or even the top, of your current scale-and, anyway, paying lower salaries can be a false economy if the new hires are less productive and need time to assimilate your company's practices.

Retirement doesn't have to be an all-or-nothing decision. Among approximately 600 large employers questioned by Watson Wyatt, 605 say it's hard to find and attract qualified workers. A large majority (70 percent) think that a phased transition to retirement, using temporary work or a reduced work schedule, is a way to ease the labor shortage by keeping older workers on board for a while longer.¹¹ Three-quarters of those surveyed do practice phased retirement; employees transitioning to retirement usually work a 20-30 hour week, plenty of time for them to be productive while still sharing their skills with younger workers.

The Bottom Line

Even if you provide the best working environment in the world, recruiting and holding talent is bound to be expensive in a highly competitive atmosphere. Dot com recruiting from old media companies is an additional factor in the equation. Some employees, including some of your best, will be entrepreneurial, daring, or greedy enough to want to make the transition, whatever you do.

However, many losses are preventable. What matters is not your proudly proclaimed policies, but their connection to the reality of the workplace environment. You can stem attrition by providing a flexible workplace, where employees are involved, valued, regarded, mentored, and otherwise encouraged to build a career

¹ See "Cost of Turnover," http://www.careermag.com/db/cmaga_article_cobrand?cid=620.

² Discussed in the 10/99 issue of *HR Magazine* in both Robert W. Thompson's "Executive Briefing" (p. 12) and Bill Leonard's "HR Update," p. 28.

³ Peter Cappelli, "A Market-Driven Approach to Retaining Talent," *Harvard Business Review* Jan-Feb '00 p. 103.

⁴ This tactic is discussed in Laura K. Roe, "No Time for Headhunters," *Industry Standard* 9/27/99 p. 153.

⁵ Discussed in *HR Magazine*, September 1999 p. 32; the surveying company's site is <http://www.interim.com>.

⁶ "Use Mentors to Retain Your Best Workers"

⁷ These tips come from James E. Gaskin, "Managing From a Distance," *Inter@ctive Week* 1/30/00 p. 88.

⁸ For examples, see Stephanie Armour, "Firms Cook Up New Way to Keep Workers," *USA Today* 1/16/00 p. 1B.

⁹ Sue Shellenbarger, "To Win the Loyalty of Your Employees, Try a Softer Touch," *Wall Street Journal* 1/26/00 p. B1.

¹⁰ Norm Alster, "Are Employers Choosing Freshness Over Seasoned Techs?" *Upside* January 1999 p. 66.

¹¹ "Phased Retirement: Reshaping the End of Work," available at www.watsonwyatt.com/homepage/GI/new/presrel-tm.htm, or by calling (301) 581-4600.