

3.4: Implementing Retention Strategies

Learning Objectives

1. Explain the strategies and considerations in development of a retention plan.

As we have addressed so far in this chapter, retention and reduction of turnover is paramount to a healthy organization. Performing research, such as calculating turnover rates, doing exit interviews, and surveying employees' satisfaction, are the first steps. Once this is done, understanding motivational theories and the application of them in the retention plan can help reduce turnover. Next, we can apply specific retention strategies to include in our plans, while keeping our budget in mind. Some of the retention strategies discussed have already or will be discussed in their own chapters, but they are certainly worth a mention here as part of the overall plan.

Salaries and Benefits

As we know from Chapter 6 “Compensation and Benefits”, a comprehensive compensation plan that includes not only pay but things such as health benefits and paid time off (PTO) is the first retention strategy that should be addressed. The compensation plan should not only help in recruitment of the right people but also help retain employees. Utilizing a pay banding system, in which the levels of compensation for jobs are clearly defined, is one way to ensure fairness exists within internal pay structures.

As we know from this chapter, compensation is not everything. An employee can be well paid and have great benefits but still not be satisfied with the organization. Some of the considerations surrounding pay as a way to retain employees include the following:

1. **Instituting a standard process.** Many organizations do not have set pay plans, which can result in unfairness when onboarding (the process of bringing someone “on board” with the company, including discussion and negotiation of compensation) or offering pay increases. Make sure the process for receiving pay raises is fair and defensible, so as not to appear to be discriminatory. This can be addressed in both your compensation planning process as well as your retention plan.
2. **A pay communication strategy.** Employees deserve to know how their pay rates are being determined. Transparency in the process of how raises are given and then communicating the process can help in your retention planning process¹.
3. **Paid time off.** Is your organization offering competitive PTO? Consider implementing a PTO system that is based on the amount of hours an employee works. For example, rather than developing a policy based on hours worked for the company, consider revising the policy so that for every X number of hours worked, PTO is earned. This can create fairness for the salaried employee, especially for those employees who may work more than the required forty hours.

Please refer to Chapter 6 “Compensation and Benefits” for more information on pay and benefits, and analyze how your compensation plans could be negatively affecting your retention.

Training and Development

To meet our higher level needs, humans need to experience self-growth. HR professionals and managers can help this process by offering training programs within the organization and paying for employees to attend career skill seminars and programs. In addition, many companies offer tuition reimbursement programs to help the employee earn a degree. Dick's Drive-In, a local fast food restaurant in Seattle, Washington, offers \$18,000 in scholarships over four years to employees working twenty hours per week. There is a six-month waiting period, and the employee must continue to work twenty hours per week. In a high turnover industry, Dick's Drive-In boasts one of the highest retention rates around.

How Would You Handle This?

You work for a small organization in the HR department. One of your web developers schedules a meeting with you, and during the meeting she says that she doesn't see any career growth for her in the organization. As a result, she confides that she is planning to leave the organization as soon as she can find another job. She is one of the best developers you have and you would hate to lose her.

Performance Appraisals

The performance appraisal is a formalized process to assess how well an employee does his or her job. The effectiveness of this process can contribute to employee retention, in that employees can gain constructive feedback on their job performance, and it can be an opportunity for the manager to work with the employee to set goals within the organization. This process can help ensure the

employee's upper level self-actualization needs are met, but it also can address some of the motivational factors discussed by Herzberg, such as achievement, recognition, and responsibility.

? Human Resource Recall

How important is PTO to you? How do you think the amount of PTO would affect your likelihood to accept one job over another?

Succession Planning

Succession planning is a process of identifying and developing internal people who have the potential for filling positions. As we know, many people leave organizations because they do not see career growth or potential. One way we can combat this in our retention plan is to make sure we have a clear succession planning process that is communicated to employees. Succession planning is sometimes called the talent bench, because successful companies always have talented people “on the bench” or ready to do the job should a key position become vacant. The goals of most succession plans include the following (Rothwell & Kazanas, 1999):

- Identify high-potential employees capable of advancing to positions of higher responsibility.
- Ensure the development of these individuals to help them be “ready” to earn a promotion into a new position.
- Ensure diversity in the talent bench by creating a formal succession planning process.

Succession planning must be just that: planned. This allows clear communication to the employees on how they can further develop within the organization, and it helps them see what skills they should master before that time comes. Chapter 8 “Training and Development” will provide more information on how to develop and implement a succession plan.

Examples of Retention Strategies at Michels Corporation

" href="http://www.youtube.com/watch?v=rsO8CwFiFw" class="replaced-iframe">(click to see video)

This video addresses some “real world” retention strategies used at Michels Corporation, a utility contractor services company.

Flextime, Telecommuting, and Sabbaticals

According to a Salary.com survey, the ability to work from home and flexible work schedules are benefits that would entice an employee to stay in their job². The ability to implement this type of retention strategy might be difficult, depending on the type of business. For example, a retailer may not be able to implement this, since the sales associate must be in the store to assist customers. However, for many professions, it is a viable option, worth including in the retention plan and part of work-life balance, which we will discuss in [Section 7.3.10 “Work-Life Balance”](#).

Some companies, such as Recreational Equipment Incorporated, based in Seattle, offer twelve weeks of unpaid leave per year (beyond the twelve weeks required under the Family and Medical Leave Act) for the employee to pursue volunteering or traveling opportunities. In addition, with fifteen years of service with the company, paid sabbaticals are offered, which include four weeks plus already earned vacation time.

Management Training

As we discuss in Section “Reasons for Voluntary Turnover”, a manager can affect an employee's willingness to stay on the job. In a recent Gallup poll of one million workers, a poor supervisor or manager is the number one reason why people leave their jobs³. Managers who bully, use the theory X approach, communicate poorly, or are incompetent may find it difficult to motivate employees to stay within the organization. While in HR we cannot control a manager's behavior, we can provide training to create better management. Training of managers to be better communicators and motivators is a way to handle this retention issue. We will discuss training further in Chapter 8 “Training and Development”.

Conflict Management and Fairness

Perceptions on fairness and how organizations handle conflict can be a contributing factor to retention. Outcome fairness refers to the judgment that people make with respect to the outcomes they receive versus the outcomes received by others with whom they associate with. When people are deciding if something is fair, they will likely look at procedural justice, or the process used to determine the outcomes received. There are six main areas employees will use to determine the outcome fairness of a conflict:

1. **Consistency.** The employee will determine if the procedures are applied consistently to other persons and throughout periods of time.
2. **Bias suppression.** The employee perceives the person making the decision does not have bias or vested interest in the outcome.
3. **Information accuracy.** The decision made is based on correct information.
4. **Correctability.** The decision is able to be appealed and mistakes in the decision process can be corrected.
5. **Representativeness.** The employee feels the concerns of all stakeholders involved have been taken into account.
6. **Ethicality.** The decision is in line with moral societal standards.

For example, let's suppose JoAnn just received a bonus and recognition at the company party for her contributions to an important company project. Another employee, Sam, might compare his inputs and outputs and determine it was unfair that JoAnn was recognized because he had worked on bigger projects and not received the same recognition or bonus. When we look at how our retention strategies are developed, we want to be sure they can apply to everyone in the organization; otherwise it may cause retention problems. Some of the procedures questioned could include the following:

- How time off is requested
- How assignments of the “best” projects are given
- Division of work
- Promotion processes
- Pay processes

While some of these policies may seem minor, they can make a big difference in retention. Besides development of fair policies, we should be sure that the policies are clearly communicated and any processes are communicated as well. These types of policies should be revisited yearly and addressed in the retention plan if it appears they are causing employee dissatisfaction.

In addition to a sense of fairness within the organization, there should be a specific way (process) of managing conflict. If the organization is unionized, it is likely a grievance process is already in place to handle many types of conflicts. We will discuss this process in greater detail in Chapter 12 “Working with Labor Unions”. There are four basic steps to handle conflict. First, the individuals in conflict should try to handle the conflict by discussing the problem with one another. If this doesn't work, a panel of representatives from the organization should hear both sides of the dispute and make a recommendation. If this doesn't work, the organization may want to consider mediation and, in extreme cases, arbitration. In mediation, a neutral third party from outside the organization hears both sides of a dispute and tries to get the parties to come to a resolution, while in arbitration, an outside person hears both sides and makes a specific decision about how things should proceed.

Fortune 500 Focus

With over nineteen thousand employees in sixty countries, Google has seen its share of retention problems⁴. In late 2010, Googlers left the organization en masse to work for Facebook or Twitter (Popper, 2010). Many who left were looking for pre-initial public offering (IPO) organizations to work with, something that Google couldn't compete with, since it went IPO in April 2004. As a result of the high turnover, Google put its mathematical algorithms to work to determine which employees were most likely to leave, allowing HR to determine what departments to focus on in their retention plans. In 2011, Google gave every employee a 10 percent pay raise, and it continues to offer a variety of new and old perks, such as free food in any of its cafeterias, 20 percent of time to work on personal projects, and \$175 peer spot bonuses. Google also offers free laundry services, climbing walls, tuition reimbursement, child-care centers, financial planning classes, and matching funds (up to \$3,000 per employee) to nonprofit organizations. For all this, Google ranked number four on *Fortune* magazine's list of 100 best companies to work for in 2011⁵. Some say it isn't the perks, high pay, or bonuses but the company culture that Google creates. A weekly all-hands meeting with the founders, where people are encouraged to ask the founders questions, and a team focus meeting where everyone shares ideas are examples of the company culture Google creates. Google exemplifies the importance of culture in retention of employees.

Job Design, Job Enlargement, and Empowerment

As we have discussed previously, one of the reasons for job dissatisfaction is the job itself. Ensuring we are appropriately matching skills with the job when we do our initial hiring is important. Revisiting the recruitment plan and selection process should be a consideration.

Job enrichment means to enhance a job by adding more meaningful tasks to make the employee's work more rewarding. For example, if a retail salesperson is good at creating eye-catching displays, allow him or her to practice this skill and assign tasks revolving around this. Job enrichment can fulfill the higher level of human needs while creating job satisfaction at the same time.

In fact, research in this area by Richard Hackman and Greg Oldham (Ford, 1969; Paul, et. al., 1969) found that employees need the following to achieve job satisfaction:

- Skill variety, or many different activities as part of the job
- Task identity, or being able to complete one task from beginning to end
- Task significance, or the degree to which the job has impact on others, internally or externally
- Autonomy, or freedom to make decisions within the job
- Feedback, or clear information about performance

In addition, job enlargement, defined as the adding of new challenges or responsibilities to a current job, can create job satisfaction. Assigning employees to a special project or task is an example of job enlargement. Be cautioned, though, that some employees may resent additional work, and job enlargement could actually be a demotivator. Otherwise, knowing the employee and his or her goals and adding work that can be an end to these goals is the best way to achieve retention through job enlargement.



Figure: Some companies offer unique benefits to reduce turnover. An on-site yoga class is an example of a unique, although expensive, benefit to consider including in a retention plan. Edson Hong – Beauty Orange County Yoga – CC BY-NC-ND 2.0.

Employee empowerment involves employees in their work by allowing them to make decisions and act upon those decisions, with the support of the organization. Employees who are not micromanaged and who have the power to determine the sequence of their own work day, for example, tend to be more satisfied than those who are not empowered. Empowerment can include the following:

- Encourage innovation or new ways of doing things.
- Make sure employees have the information they need to do their jobs; for example, they are not dependent on managers for information in decision making.
- Use management styles that allow for participation, feedback, and ideas from employees.

Pay-for-Performance Strategies

In “Compensation and Benefits”, we discussed several pay-for-performance strategies we can implement to motivate our employees. A pay-for-performance strategy means that employees are rewarded for meeting preset objectives within the organization. For example, in a merit-based pay system, the employee is rewarded for meeting or exceeding performance during a given time period. Rather than a set pay increase every year, the increase is based on performance. Some organizations offer bonuses to employees for meeting objectives, while some organizations offer team incentive pay if a team achieves a specific, predetermined outcome. For example, each player on the winning team of the 2010 NFL Super Bowl earned a team bonus of \$83,000 (Rovell, 2011), while the losing team of the Super Bowl took home \$42,000. Players also earn money for each wild card game and playoff game. Some organizations also offer profit sharing, which is tied to a company’s overall performance. Gain sharing, different from profit sharing, focuses on improvement of productivity within the organization. For example, the city of Loveland in Colorado implemented a gain-sharing program that defined three criteria that needed to be met for employees to be given extra compensation. The city revenues had to exceed expenses, expenses had to be equal to or less than the previous year’s expenses, and a citizen satisfaction survey had to meet minimum requirements.

To make sure a pay-for-performance system works, the organization needs to ensure the following:

- Standards are specific and measureable.
- The system is applied fairly to all employees.
- The system is communicated clearly to employees.
- The best work from everyone in the organization is encouraged.
- Rewards are given to performers versus nonperformers.
- The system is updated as the business climate changes.
- There are substantial rewards for high performers.

As we have already addressed, pay isn't everything, but it certainly can be an important part of the employee retention plan and strategy.

Pay for Performance: Teachers

" href="http://www.youtube.com/watch?v=FBzBPlh-K30" class="replaced-iframe">(click to see video)

This video shows an example of a new pay-for-performance plan for teachers in South Carolina.

Work-Life Balance

Work-life balance discussions originated during the 1960s and 1970s and pertained mostly to working mothers' meeting the demands of family and work. During the 1980s, the realization that meeting a work-life balance is important (for all, not just working mothers) resulted in companies such as IBM implementing flextime and home-based work solutions. The growing awareness of the work-life balance problem continued into the 1990s, when policies were developed and implemented but not acted upon by managers and employees, according to Jim Bird in *Employment Relations Today* (Bird, 2006). Today, work-life balance is considered an important topic, so much so that the World at Work Society offers special certifications in this area. The World at Work certification programs focus on creation of successful programs to attract, retain, and motivate employees.

Karol Rose, author of *Work Life Effectiveness* (Rose, 2006), says that most companies look at a systems approach of work-life balance, instead of a systems and individual approach. The systems approach to work-life balance includes policies and procedures that allow people flexibility, such as telecommuting and flextime options.

According to Rose, looking at the individual differences is equally as important as the systems approach. Brad Harrington, the director of Boston College's Center for Work and Family, stresses this issue: "Work-life balance comes down, not to an organizational strategy, but to an individual strategy." For example, a single parent has a different work-life balance need than someone without children. In other words, as HR professionals, we can create work-life balance systems, but we should also look at individual approaches. For example, at Recreational Equipment Incorporated (REI)⁶, they use the systems approach perspective and offer paid time off and sabbaticals, but their employee assistance program also offers access to services, referrals, and free consulting for the individual to find his or her perfect work-life balance. For this, REI receives a number nine ranking on *Fortune's* list of best companies to work for in the area of work-life balance.

The company culture can contribute greatly to work-life balance. Some organizations have a culture of flexibility that fares well for workers who do not want to feel tethered to an office, while some workers prefer to be in the office where more informal socializing can occur. While some companies promote work-life balance on paper, upper management needs to let employees know it is OK to take advantage of the alternatives to create a positive work-life balance. For example, companies place different levels of value on work-life options such as telecommuting. An organization may have a telecommuting option, but the employees must feel it is OK to use these options. Even in a company that has work-life balance systems, a manager who sends e-mails at 10 p.m. on Saturday night could be sending the wrong message to employees about the expectations, creating an environment in which work-life balance is not practiced in reality. O'Neill, a surf gear company in California, sends a strong message to its employees by offering half-day Fridays during the summer⁷, so employees can get a head start on the weekend.

Jim Bird, in his work-life balance article in *Employment Relations Today*, suggests implementing a work-life balance training program that is dual purpose (can serve both personal interests and professional development). In other words, implement trainings in which the employee can develop both personal skills and interests that can translate into higher productivity at work.

Besides the training program, Bird suggests creating a monthly work-life newsletter as an educational tool to show the company's commitment to work-life balance. The newsletter can include interviews from respected employees and tips on how to create a work-life balance.

Finally, training managers on the importance of work-life balance and how to create a culture that embraces this is a key way to use work-life balance as a retention strategy.

Other Retention Strategies

According to *Fortune's* “100 Best Companies to Work For,”⁵ retention strategies that are more unusual might be part of your retention plan. Some strategies from the list might include the following:

- On-site daycare or daycare assistance
- Gym memberships or on-site gyms
- Concierge service to assist in party planning or dog grooming, for example
- On-site dry cleaning drop-off and pickup
- Car care, such as oil changes, on-site once a week
- On-site doggie daycare
- On-site yoga or other fitness classes
- “Summer Fridays,” when all employees work half days on Fridays during the summer
- Various support groups for cancer survivors, weight loss, or support in caring for aging parents
- Allowance for fertility treatment benefits
- On-site life coaches
- Peer-to-peer employee recognition programs
- Management recognition programs

While some of these options may not work in your organization, we must remember to be creative when our goal is to retain our best employees and reduce turnover in our organizations. The bottom line is to create a plan and make sure the plan is communicated to all employees.

Key Takeaways

- Once you determine the employee's level of satisfaction through exit interviews and surveys and understand motivational theories, you can begin to develop specific retention strategies.
- Of course, salary and benefits are a major component of retention strategies. Consistent pay systems and transparent processes as to how raises occur must be included in a retention plan (and compensation strategy).
- Training and development meets the higher level needs of the individual. Many companies offer paid tuition programs, reimbursement programs, and in-house training to increase the skills and knowledge of the employee.
- *Performance appraisals* provide an avenue for feedback and goal setting. They also allow for employees to be recognized for their contributions.
- *Succession plans* allow employees to see how they can continue their career with the organization, and they clearly detail what employees need to do to achieve career growth, without leaving your organization.
- Flextime and telecommuting options are worth considering as an addition to your retention plan. These types of plans allow the employee flexibility when developing his or her schedule and some control of his or her work. Some companies also offer paid or unpaid sabbaticals after a certain number of years with the company to pursue personal interests.
- Since one of the reasons people are dissatisfied at their job is because of the relationship with their manager, providing in-house training to all management team members to help them become better communicators and better managers can trickle down to the employee level, creating better relationships and resulting in better retention and less turnover.
- Reviewing company policies to ensure they are fair can contribute to better retention. For example, how projects are assigned or the process for requesting vacation time can contribute to dissatisfaction if the employee feels the processes are not fair.
- Review the *job design* to ensure the employee is experiencing growth within their job. Changing the job through *empowerment* or *job enlargement* to help the growth of the employee can create better retention.
- Other, more unique ways of retaining employees might include offering services to make the employee's life easier, such as dry cleaning, daycare services, or on-site yoga classes.

? Exercise 3.4.1

1. Research two different companies you might be interested in working for. When reviewing their list of benefits, which ones are offered that might motivate someone to stay with the organization?

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⁷“Vans, Quiksilver, and California Top Skate Companies Offer Dream Careers to FIDM’s Graphic Design School Grads,” *Fashion News*, June 4, 2011, accessed July 29, 2011, www.fashionnews.com/2011/06/04/vans-quiksilver-californias-top-skate-companies-offer-dream-careers-to-fidms-graphic-design-school-grads.

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