

Understanding Employee Attraction and Retention As Key Drivers in a Down Economy



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News of the state of the economy is flooding the marketplace with startling and increasing unemployment rates, speculation of mass layoffs, buyouts and bankruptcies. It makes for nervous chatter at the water cooler and on blogs but different chatter in the C-suite and management ranks.

Among the more savvy and forward-thinking executives there is an increase in discussion centered on the new and unprecedented opportunity to acquire top talent. Talent is flooding the marketplace and according to the Corporate Executive Board, 24 percent of corporate leaders said “making critical talent plays” will be one of their biggest challenges in 2009 (Corporate Executive Board 2009).

The study also found that one in four top high-performing employees expects to leave his/her current job in the next 12 months, up from one in 10 during the 12 months previous to the study. Considering the cost of turnover, loss of productivity and how employee engagement and loyalty strongly influences the organization’s financial health, and combining those factors



with the need for an organization to be able to emerge stronger from this economic downturn, understanding employee motivation becomes critical.

The economic recession is uncovering a unique opportunity to garner top talent and is placing *retention efforts* at the forefront of forward-thinking management discussions. Management, including total rewards professionals, must be careful to avoid the thought that the recession “will finally make *those* employees feel lucky to have a job and remove their sense of entitlement.” Assuming the employees will “fall in line” is a dangerous and slippery slope managers and/or leaders can easily find themselves sliding down, with negative consequences. An organization or its management with this attitude, may find that the best employees are biding their time until the economy improves and they exit the organization. According to a 2008 Leadership IQ study, 47 percent of top performers are actively looking for a job, but only 18 percent of low performers are.

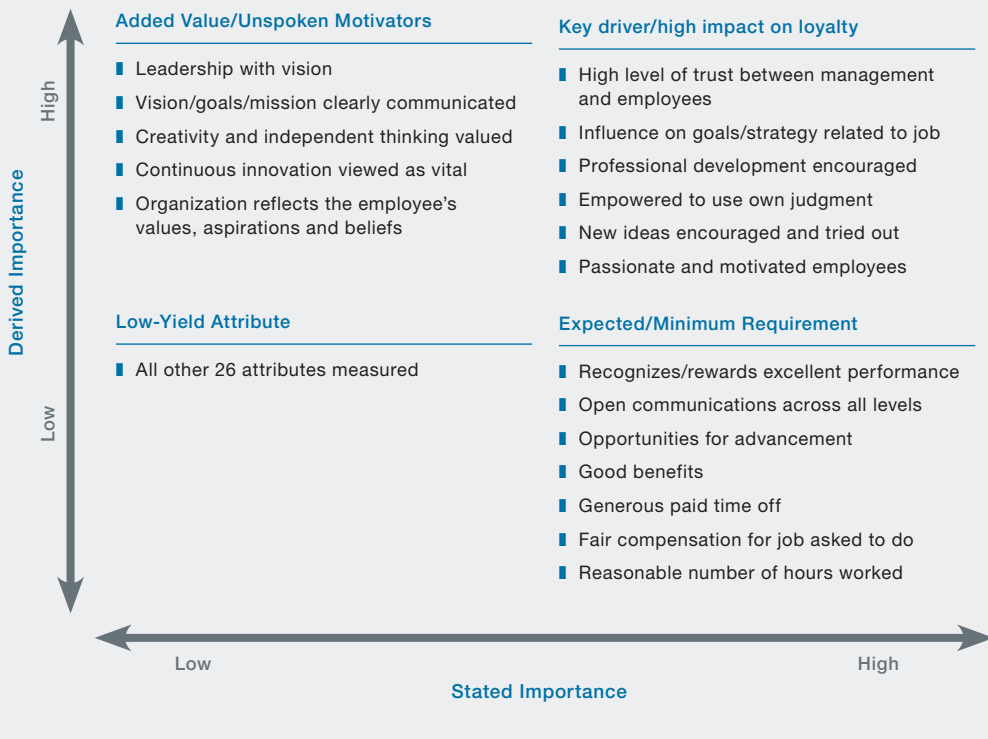
Based on a survey by IMR Research Group Inc. (2008) of more than 1,900 full-time employees in the United States, the key to understanding employee motivation lies in an analysis of both what employees say is important in the workplace as well as what drives employee loyalty. IMR Research Group uses multitiered assessment of employee loyalty through a model called the Employee Motivator Matrix (EMM).

UNDERSTANDING THE MODEL

Looking at *what employees say is important* as well as determining *the factors that actually drive loyalty* gives organizations a focused, yet big-picture view of employee motivation and engagement. In the IMR survey, employees were asked to rate the importance of the 44 workplace attributes, ranging from “a high degree of trust between management and employees” to “creativity and independent thinking is valued” to “a relaxed work environment.” The rating of each workplace attribute combined with how strongly it influences loyalty to an organization (based on statistical analysis) determines where on the EMM the attributes fall. While the information is used by the authors’ company for its EMM tool, the ratings provide solid input for organizational evaluation of loyalty.

Figure 1 on page 42 provides two dimensions. “Stated importance” (the bottom axis) reflects what employees explicitly indicate is important to them when rating the workplace attributes (i.e., articulated, on-the-surface motivators). “Derived importance” or unarticulated importance (the left axis) is determined using statistical analysis, obtained by computing the degree of correlation between the attributes with the “likelihood of recommending the company to others as a good place to work” — an attribute that the authors consider the best measure of loyalty. Attributes in each quadrant are important to understand, but focusing resources on the workplace attributes in the top right quadrant, which are high in “stated” importance as well as strongly correlated with loyalty, will effectively increase loyalty and reduce turnover.

FIGURE 1 Metrics Used to Evaluate Pay and Reward Program Success



KEY DRIVERS

In any economy, retaining top talent should be a priority, but it is especially important in a recession. But trying to figure out how to retain talent, and recruit when needed, can become overwhelming when an organization is faced with many possible workplace areas on which to focus resources. However, resources focused on the key motivating drivers will increase employee loyalty and satisfaction and boost retention rates.

The Trust Factor

Trust is a key driver of employee loyalty and engagement, as shown by its placement in the top right quadrant of Figure 1. Numerous research studies in recent years have consistently shown trust to be of critical importance to today's workers. When employees lack trust in management, productivity decreases, morale sinks and an "us versus them" culture emerges, undermining an organization's health and future.

According to the Institute for Corporate Productivity (i4cp) (WorldatWork 2008), most organizations recognize that trust is an important consideration in their success, but many employees don't feel it is being nurtured internally. The main culprit is senior-management credibility, which is seen as a problem in a quarter of companies. In the institute's study of hundreds of companies, one of five respondents does not feel his or her organization engenders trust. Forty percent thought trust is nurtured

only to a moderate extent. When segmented between low- and high-performing companies, the difference is starker: Forty percent of low-performing companies feel their organizations do not nurture trust, while only 16 percent of respondents from high-performing companies feel the same.

A solid strategy to increase trust, and reduce time wasted, rests in providing an open and transparent working environment that strengthens the organization, as employees spend less time engaging in distracting chatter and more time in productive work.

Other Key Drivers

Employees also indicate that they need to influence goals and strategy; feel empowered to use their own judgment; and find that new ideas are encouraged. One way to know if the organization's employees feel empowered and influence their work is how they express opinions of their work. For example, do they use the word "own" or portray ownership in referencing their projects and responsibilities? Employee opinion surveys are also significant in this area.

Another key driver is offering professional development, and organizations making professional development a high priority and an ongoing endeavor will capitalize on strengthening employee loyalty.

Addressing the key motivation drivers will result in more motivated employees. IMR's research indicates that — in this economy — focus is renewed on working with passionate and motivated employees, as this affects the day-to-day life within an organization and directly influences the happiness and focus of employees. It has become imperative for organizations to keep an eye on the morale of their workforce and work to keep it positive through effective communication about the state of the organization, the industry and the employee's role in the organization.

Unspoken Motivators

The key drivers previously discussed are articulated by employees as important. Equally insightful are the unarticulated or unspoken attributes (Figure 1: top left quadrant). These attributes are unique in that they can provide employers with an opportunity to delight recruits and employees and further the organization's competitive positioning for the best talent.

Two of the top five unspoken motivators relate to creativity and innovation. America's economic future may rest on the ability to innovate, and if workers understand how brainstorming and other creative-thinking sessions can contribute to the organization's bottom line, they will feel their input is valued. Other unspoken motivators relate to the organization itself and its leadership. Employees desire to work for a leader with vision and an organization reflecting their (employees') values, aspirations and beliefs. These unspoken motivators have a low-stated importance according to employees but a high-derived importance, which means they don't stand out as critically important in the employee's mind, but efforts to improve these will greatly affect attraction and retention.

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Minimum Requirements

The expected or minimum requirements (Figure 1: bottom right quadrant) have a high-stated importance and low-derived importance. Feedback from surveyed employees indicates these minimum requirements are important, but they do not increase loyalty. The minimum requirements quadrant — in which fair compensation, good benefits and generous paid time off fall — can best be described as “cost of entry” attributes. However, it is the authors’ experience, and it is important to note, that failing to meet these minimum requirements will result in lower initial attractiveness and greater loss of employees over time.

The final quadrant is the low-yield attributes (Figure 1: bottom left quadrant), which have low-stated

importance and low-derived importance. They are not good indicators of employee loyalty, and resources focused on these attributes are ultimately wasted.

THE GENERATIONAL DIFFERENCE: KEY DRIVERS

Unlike any time in U.S. history, four generations are in the workforce at the same time, each with distinguishing characteristics.

For the purpose of the author’s study the three dominant generations — by size — are included. The fourth generation, the Matures, is a relatively small percent of the workforce and not statistically viable for the survey’s purpose. The generations in the workforce are as follows:

- Generation Y (also called “Millennials”) (74 million are less than 30 years of age)
- Generation X (slightly less than 50 million are between 30 and 45 years of age)
- Baby Boomers (76 million workers are between 46 and 64 years of age).

Many managers, consultants and researchers feel that this generational difference is significant and plays an important factor in employee engagement. For example, Berkshire Associates (2008) noted:

Outside your office door, everything may appear fine, but tension may be brewing among your Baby Boomer, Generation X and Generation Y workforces. How can managers and HR work together to optimize each

group's strengths while creating a productive and satisfying environment for all three styles?

The core of this tension originates from differing work values and perceptions of relationship with employers.

Understanding the differences between these three groups will allow you to effectively use their experiences and diverse views. It's your job to figure out how you can best build your environment to balance the needs of cross-generational workers in your company.

The generational consideration is one that is somewhat controversial. Author Frank Giancola wrote recently (2008):

The generational approach has many serious weaknesses. First, academics believe that two of its main premises lack support and that the Cohort Generation is not worthy of serious study. Second, there is disagreement among experts over the birth periods and number of generations, making defining a generation a problematic task. Third, people born near the start or end of a generation exhibit characteristics of two generations. Fourth, the Baby Boom generation is long enough to cover parents and their children. Fifth, research shows that the most valued and defining rewards of some generations are valued equally or higher by others. Finally, recent research shows that generational conflict at work has been exaggerated.

These weaknesses make the Cohort Generation a challenging concept for HR professionals and provide a valid rationale to focus on other talent strategies. The best advice comes from Gallup: Organizations need to understand employees as individuals to determine whether they share the same interests and values as the organization. Intensive candidate interviews and employee surveys are needed to gain this knowledge. HR programs based on the deeply flawed generational approach increase the chances of suboptimal organizational performance and wasted resources.

(A *Cohort Generation* is a group of people who experience the same historical events at about the same age.)

In addition, a study by Sirota Survey Intelligence indicates that the generational employee engagement differences are small (WorldatWork 2008a).

The authors, however, believe that the differences are strong and that the generational differences are important to consider in attracting, motivating and retaining employees. IMR Research Group's survey results are presented here.

Millennial Motivators

As employers get to know the latest generation to join their ranks, they are thirsty for information on how to attract, retain, manage and maintain loyalty from this generation. Figure 2 on page 46 presents the key drivers motivating this generation.

Particular to this generation is working for an organization with open communication across organizational levels. Millennials are highly motivated by bosses

FIGURE 2 Millennial Generation Key Drivers

- Open communication across all levels
- Influence on goals/strategy related to job
- New ideas encouraged and tried out
- High level of trust between management and employees
- Passionate and motivated employees
- Creativity and independent thinking valued

and strategies as they relate to their job and allow this generation to share new ideas and try them out. Millennials value their creativity and independent thinking, and though they are looking for direction and guidance, they want to be valued for what they bring to the table.

FIGURE 3 Generation X Key Drivers

- Fair compensation for the job asked to do
- Passionate and motivated employees
- High level of trust between management and employees
- Opportunities for learning
- Professional development is encouraged
- Recognizes/rewards excellent performance
- Empowered to use own judgment
- Influence over goals/strategy related to job

the corporate ladder, receiving fair compensation for the job they are asked to do is an important key driver. They also need to feel trusted and empowered to use their own judgment and influence their goals and strategies, especially when leading teams.

Baby Boomer Motivators

Millions of Baby Boomers will pass retirement age in the next 10 years, but with the financial hit many retirement funds have taken recently, this generation may not be in a hurry to retire. However, the decision to keep working is not solely based on financial reasons. In addition, Boomers are becoming known as the “sandwich generation” as they deal with aging parents and growing children, many of whom return home after graduating college or never leave. With new stress and pressure on their time, members of this generation will be looking for balance in their work and personal lives.

who help them understand how they fit into the larger picture — to understand why they are being asked to do what they do, which begins with open communication. The Millennial generation is the first to be included in its own family budget discussions, so members are accustomed to a seat at the table. Organizations leveraging this attribute will find ways to allow this generation to influence goals

Generation X Motivators

As the Baby Boomers begin to retire, the business world will rely heavily on Generation X to lead organizations. Figure 3 presents the key drivers motivating members of Generation X.

Gen Xers coined the term “lifelong learners,” thus opportunities for learning and the encouragement of professional development are uniquely important to this generation. This generation is at midcareer, and as members continue to climb the

It is easy to deduct from the key drivers motivating this generation that they want to influence job goals (they want their experience recognized and respected), to be able to try new ideas, to have their creativity and independent thinking valued and to be empowered to use their own judgment. And unlike the Millennials and Generation X, the Boomers expect that individual and team successes will be celebrated, which is in line with their leadership style of leading by consensus and having a team perspective. Figure 4 represents key drivers for Baby Boomers

FIGURE 4 Baby Boomer Key Drivers

- Recognizes/rewards excellent performance
- High level of trust between management and employees
- Creativity and independent thinking valued
- New ideas encouraged and tried out
- Individual and team successes celebrated
- Empowered to use own judgment
- Influence on goals/strategy related to job

CONCLUSION

Employee engagement directly impacts profitability, and organizations are wasting resources — human and financial — unless the focus is on policies and practices that are going to provide the best return on investment in helping to attract as well as retain talent. Organizations must figure out how best to retain their top talent to be well positioned for an economic resurgence. Understanding what drives employee motivation and loyalty is key to the sustainability and growth of an organization. ■

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