

# Talent Management



## Targeting Your Retention Strategy

**Many CHROs are rigorously determining which positions give their companies a competitive edge. Their next step should be modifying what they're doing to hold on to the top performers who fill those key roles.**

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**T**he employee retention practices at Google Inc. are a harbinger for where the war for talent is going next. Just three years ago, the \$90 billion search engine leader paid \$650 million to acquire a 2-year-old London company called DeepMind Technologies, which employed about 50 artificial-intelligence scientists.

Google had to promise DeepMind several things to do the deal. One was that none of DeepMind's technology would be used for military or intelligence purposes. Another was that its scientists could continue publishing their research in scientific journals.

"The really top tier of [AI] people can work anywhere they want—in finance, [Silicon] Valley or New York," said DeepMind co-founder Mustafa Suleyman at TechCrunch's December 2016 London Disrupt conference. "They are not just motivated by compensation or working on hard problems. They are also motivated by working with peers and by problems that really matter. People want to make a difference in the world. When we sold the company, it was important to continue the work and the research that we do."

Like Google, many companies are going to great lengths—and great expense—to acquire and retain talent whom they believe will have the most significant impact on their businesses.

From our vast collective experience in working with chief HR officers and other senior executives on talent issues, we believe that retaining such talent will require companies to excel at two tasks: Determining which jobs are the most important to organizational performance; and tailoring their retention strategies to the distinct needs of people in those roles.

### Identifying the Roles

We are by no means the first to proclaim the need for CHROs and their C-suite peers to determine which jobs are far more critical to a company's success than other jobs. This thinking dates back to at least the last decade. In 2009, professors Brian Becker, Mark Huselid and Richard Beatty published a book titled *The Differentiated Workforce: Translating Talent into Strategic Impact* that urged companies to identify their "strategic positions." By this, they meant the roles that provided an organization with unique competitive advantages. For example, the authors said that in pharma, those strategic positions included research and development scientists developing new drugs, and in retailers that compete on service, store personnel who provide personalized shopping for loyal customers.

Since then, management consultancies such as Bain & Co. and McKinsey & Co. have made similar arguments. In their 2017 book titled *Time, Talent, Energy: Overcome Organizational Drag and Unleash Your Team's Productive Power*, Bain's Michael Mankins and Eric Garton referred to an organization's most essential roles as "difference makers." They estimated the number of such roles in a big company's top three management levels to be from 100 to 150. In their research, they found the best-performing companies had as many as 95 percent of their best people in "difference-making" positions, while market laggards spread their stars out in both critical and non-critical roles. It's a bad practice the Bain consultants termed "unintentional egalitarianism."

From our experience with hundreds of companies, we have seen six types of roles that have been most essential to organizational success. Think of them as "leverage roles." That doesn't mean these are the only vital positions in any organization, but these are the ones we've seen most frequently:

- **Indispensable C-suiters**—These are leadership roles at highly important business units, and business functions that are elemental to success. The chief marketing officer role at consumer products companies such as Coca-Cola or the head of supply chain at retailers such as Walmart are good examples. So is the chief design officer job at companies such as Apple or fashion retailer Tapestry (formerly Coach).

- **Essential experts**—These are roles in R&D, technology and other

areas that are vital to a firm's strategic direction, product innovation and process effectiveness. Individuals in these jobs typically don't have management responsibilities; they have only to manage themselves.

- **Captains in the field**—Middle-management positions that are critical to executing a firm's strategy. For example, in sales-driven companies such as pharmaceutical firms, they can be field sales force managers in key economic regions.

- **Customer-experience creators**—Sales, customer-contact-center and/or field-service jobs that are instrumental to acquiring customers and keeping them loyal. In these roles, employees turn interactions into moments that determine whether a prospect becomes a customer, and remains a customer.

- **Critical contractors**—They aren't filled by employees but rather by contingent workers who are nonetheless vital to an organization's R&D, marketing and other success. They are high-priced free agents who possess critical and rare expertise that can't be found internally, and have their pick of clients—or the option of not working at all. In an increasingly free-agent world, such gig workers accounted for 94 percent of the net new employment in the U.S. between 2005 and 2015, according to the National Bureau of Economic Research.

- **Future leverage-role players**—These are candidates for your organization's most important positions—and not just leadership jobs. You're nurturing them so they can one day fill your company's biggest shoes, many of which are not leadership roles.

Whether or not a company's most essential roles are in those categories, it is up to the CHRO to work with other senior managers to determine what they are. Once they do, the next step is figuring out whether the organization has top-notch talent in those critical roles. If it doesn't, then it must put the right people in the right roles.

What's after that? Keeping stellar talent in leverage roles from leaving. That, in turn, requires retention strategies of a somewhat different stripe, depending on the position.

## The Right Mix

In our experience, each role demands a different mix of career development (skill building, coaching, career mobility), leadership (the quality of the boss), environmental (work/life balance, location flexibility and collaboration), performance (feedback, and role and goal clarity), compensation and organizational reputation (the employer brand) assets and approaches.

*Indispensable C-suiters*, those who are able to propel performance, are often at a late stage in their careers and must deal with a new CEO or chief operating officer, or a boss with hard edges. For most, career development

## Key Drivers of Retention

Numerous studies have shown what companies must do to keep their key people working for them and not for competitors or other firms—or even dropping out of the workforce all together. From that research and our consulting and training experiences, we've identified six types of retention drivers:

- **Development:** Do people in (or aspiring to be in) leverage roles believe they can continuously improve their skills in your organization? In a time when the half-life of skills is five years or less, are they getting both the formal development and on-the-job experiences to remain relevant and advance their careers?

- **Leadership quality:** What is the collective effectiveness of leaders in an organization, especially in terms of a person's boss. People leave bosses, not organizations. Inspirational bosses can have a great impact on whether your most valuable people stay with your company.

- **Work environment:** Of course, the boss of any leverage-role player has a huge impact on that person's working conditions. But so do other factors, which often go beyond a boss's control: work/life balance; whether the person sees his or her work as meaningful; workplace inclusiveness; and the extent to which cross-functional and cross-organizational collaboration is encouraged.

- **Job performance:** Great people filling leverage roles want to know how they're doing. Regular feedback can be crucial to keeping them. Role clarity can also be important, as well as clarity about goals. Job performance also encompasses how much an individual's skills affect the success of the organization.

- **Compensation:** Since leverage role players have the greatest impact on organizational success, it's no surprise that compensation is crucial to retaining them. "People should be paid according to how much value they contribute to the company ..." said Ram Charan and his two co-authors in their 2015 *Harvard Business Review* article titled "People Before Strategy: A New Role for the CHRO." However, compensation is a much more critical retention driver for some leverage roles than for others.

- **Organizational reputation:** The final retention driver for people who fill leverage roles is its brand reputation for all key stakeholders: employees, customers, shareholders and society. A company's reputation matters a great deal to people filling leverage roles, and it means more to those who fill certain leverage roles (for instance, critical contractors) than it does to others.

is typically not a lever; they are quite accomplished. And their comp package is likely to be competitive. Focusing on internal environmental issues can work, but it requires having frank one-on-one conversations to determine their aspirations and frustrations. Perhaps trying to address a particular leadership issue—i.e., a problematic boss—is in order if their boss is up for it. If none of that works, you must plan early for their eventual exit.

*Essential experts* are those who possess valuable and rare knowledge. Google's purchase of DeepMind is a perfect example of employees who fill this role. The Mountain View, Calif.-based company has publicly stated that AI technology is central to its present and future, which is why it's been a pioneer in self-driving vehicles. In fact, a year before she became Google's chief people officer, Eileen Naughton called DeepMind's scientists and engineers the "elite of the elite" at the company.

People in this role must be highly compensated; some will make more than the CEO and other C-suiters. But high compensation is only table stakes. Career development is crucial to these people—not to take on management responsibilities (which they typically resist) and climb up the ladder, but rather to advance their knowledge and stature, internally and externally. Essential experts are life-long learners. Organizational reputation and working environment are also crucial to keeping people in this leverage role.

*Field captains* represent the glue in the middle. These key middle-management jobs can be found in every business: retailer and restaurant chain-store managers; heads of factories at global industrial companies that compete on quality; and area managers of field sales forces in many business-to-business sectors.

Leadership is the most important retention driver for people in these roles. Specifically, having bosses who make the company's strategy crystal clear is a requirement, because these middle managers must translate that strategy to their troops. If the strategy is unclear, their performance will suffer.

Environment is also an important factor in keeping these people. They love to be part of a strong and stable internal community. Career development must focus on gaining new capabilities for the role—and less on climbing the organizational ladder.

*Customer-experience creators* are the sales, service and repair roles directly affect revenue and profitability by cultivating and nurturing clients. Retaining top talent in key sales jobs is largely a matter of compensation more than any other retention factor; they don't like hitting pay ceilings and can usually get the comp they deserve elsewhere.

Performance measurement is also important because it determines compensation. For service and repair people, pride in the brand is critical

to keeping them, as well as having competent leaders and a workplace environment that empowers and equips them to solve customer problems.

*Critical contractors* are the outsiders you can't do without. Since they aren't employees, they aren't looking to move up the ranks of your company, and they aren't concerned about the work environment because they don't have to "live" in yours.

An excellent example of this is Jim Murphy, who served as chief marketing officer at Accenture from 1993 to 2008 while *not* an employee. Murphy was instrumental in building Accenture's brand and revenue, which grew from \$2.8 billion to \$25 billion in those 15 years.

What drives such people to continue renting themselves back to your firm? Certainly, since they are leading experts in their domains, they command premium pay. It makes no sense to compare their pay with employees' income. Organizational reputation is also important; they want to be associated with companies that are winners. And career development can also be a source of retention—if it increases the credibility of their own brands.

*Future leverage-role players* are the up-and-coming stars. When most companies think about developing their most important people for the future, they think about high-potential leaders. Yet, as mentioned before, the people destined to hold the leverage roles in the executive suite are not the only ones who matter.

Companies that identify such roles and put great people in them must develop others to step into them once the stars move on. These people must gain the breadth and experience required to excel in those leverage roles—a career development challenge, for sure. But environment is also important, since these individuals thrive in innovative and collaborative climates.

In conclusion, the opportunities are bountiful for CHROs who have made the identification and filling of key roles a priority. Their efforts in these areas can have a powerful impact on both the top and bottom lines. However, these leaders unarguably face another formidable challenge: helping their organizations keep great talent in those roles.

CHROs who develop successful retention strategies that fit these quite diverse roles will help their organizations gain a profound talent edge in the years ahead.

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