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## RETAINING KEY TALENT FOR THE NEXT STAGE OF GROWTH

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As your startup has grown, so has your team, with the right people in place to help scale the business and expand its competitive edge. At some point, though, turnover is bound to happen. Some may be due to people moving on because of life events or to pursue other opportunities, or the firm may require a somewhat different skill set as it matures. What companies need to avoid, however, is the unexpected loss of key talent—those employees who are the strongest performers, have high potential, and/or are in critical jobs.

Retaining key talent is a major concern for both large mature companies and for newer firms and startups. Across the board, the war for talent in critical areas, such as digital technology, is becoming fierce. Looking ahead, the outlook for the labor market will keep talent retention on the workforce radar. The widespread prediction is that talent shortages will likely increase well into the next decade, which could limit the ability of some companies to expand. Where talent shortages become acute, companies' very survival could be jeopardized in the face of intensifying global competition. According to the Bureau of Labor Statistics, longer-term labor shortages may result from slower population growth, increasing specialization and technical demands of jobs, Baby Boomers retiring, a lack of experience among Millennials to advance into more responsible and demanding jobs, and increasing global competition for talent.

Individuals with scarce and mission-critical skill sets and expertise increasingly will be in demand as organizations compete for talent just as they do for market share. Key talent disproportionately contributes to organizations' current performance, and these individuals are also likely to assume future leadership positions. Thus, losing them has a major impact. Consider the estimates that suggest the cost of employee turnover ranges from 50 percent to 200 percent of the employee's annual salary, depending on the type and level of job. When highly valued key employees are lost, costs escalate considerably since their contributions are greater than those of typical employees, and they are more difficult to replace.

Not only is competition for key talent increasing, but opinion surveys indicate about 20 percent of employees plan to look for a new job in the next two years and another 20 percent plan to leave their employers within the next five years. Some movement



might be the result of discontent in the wake of years of downsizing, doing more with less, and limited base salary increases and incentive payouts. But the trend may also reflect changes in the social contract surrounding the employment relationship. As individuals and organizations become more tenuously attached to each other, turnover has become a more prominent and accepted aspect of organizational life.

Advances in technology also make it more difficult to retain talent. In today's world, a company cannot hide its top talent. Social media outlets such as LinkedIn allow people to promote their capabilities and accomplishments. Plus, top talent can compare the compensation they receive with that of other companies through multiple online resources.

Given all these factors, it's no surprise that one of the foremost management challenges is retaining key talent. Startups and other new firms are not immune to this problem. While the core team may be highly motivated by the challenges inherent in a startup, these motivations may not be enough to keep key talent going forward. As the company advances from the launch phase through stages of growth, it must pay attention to its culture. Whether because of current talent pressures or with an eye toward the future, leaders in startups and other new organizations must ask themselves: how can we keep our key talent?

## FOCUSING ON TOP TALENT

In our work with clients, we frequently investigate gaps in workplace perception between employees most committed to remaining with their current employers and those considering exiting in the near future. The lessons learned from larger, more mature firms hold key insights for startups and emerging organizations as well. Here are five retention factors that can make all the difference between whether key talent stays or leaves.

- *Playing for a winner:* Employees are unlikely to bind their futures to organizations unless they view them as well led and headed in a

positive direction. As employee surveys have shown, a far greater percentage of those who stay report having trust and confidence in senior management versus those who leave. Considerably more “stayers” also report having faith that their company's direction and goals are the right ones at the present time.

- *Somewhere to go if I stay:* Employees today are increasingly aware that they are responsible for managing their own careers. As opportunities for career development are among the most consistent predictors of employee engagement, it should not be surprising that “stayers” are much more optimistic about their ability to achieve their career objectives with their current employers. Likewise, the majority of “stayers” report that their supervisors provide ongoing coaching for development, compared to a minority of “leavers.”
- *A fair exchange:* If organizations want employees to do and deliver more, it's essential that talented people know they're valued—that their extra efforts are recognized and appreciated, and that there's a reasonable balance between rewards (tangible and intangible) and contributions. Not surprisingly, the “stayers” give much higher ratings to the care and concern for employees displayed by their companies compared to the “leavers.” The “stayers” also report greater levels of satisfaction with the fairness of their pay in relation to the work they do.
- *Support for success:* Because many employees have been asked to do more with less, they need to feel that they are working smart as well as hard. Of particular concern are efficient work processes and collaborative support from coworkers to allow employees to perform at their best. “Stayers” give their companies higher marks for being effectively managed and well run and are considerably more favorable regarding cross-work unit working relationships.
- *A sense of control and influence:* Critical to optimizing work processes, especially

in dynamic environments where goals and objectives change frequently, is leveraging the ideas and input of employees at all levels. Far more “stayers” indicate that they have the authority necessary to do their jobs well as compared to “leavers.” The “stayers” are also more positive about the support their companies provide for employee creativity and innovation.

Taken together, these findings provide organizations with a roadmap for reducing turnover. Leaders who are successful in keeping their best people recognize the need to foster a positive view of the company's prospects in the future as well as opportunities for individual growth and development. These leaders also focus on structuring work environments to support employees' success in their roles. They leverage employee input to promote high levels of effectiveness and reinforce the balance between what employees contribute and what they get back from the organization in return.

## **SUPPORTING EMPLOYEES TO GET THE JOB DONE**

It's a well-known fact of life in the workplace: organizations around the world are asking employees to do more with less. While this dynamic has been seen in large companies, particularly in the wake of the 2008-2009 global financial crisis, it is also very common in startups in which people wear “multiple hats.” In larger, more mature organizations as well as newer and nimbler ones, perception matters—especially about compensation and rewards. It's all about equity. If work demands force employees to routinely miss social or family events, they will ask themselves whether what they're getting matches what they're giving up and putting in.

While work/life balance issues may seem particularly tricky in the early stages of a startup, with its notoriously long hours and intense demands, they also raise questions about the kind of culture that's being created. To create sustainable work patterns for employees, companies need to look beyond traditional solutions (like telecommuting and flexible

schedules) and help employees with work productivity. Since the work isn't going away, the real recipe for success is allowing people to be as efficient as possible while at work.

To succeed in doing more with less, many leaders are heavily focused on employee engagement. While motivation is important, it is only one piece of the puzzle. Equally essential is enabling employees to get things done. In other words, to foster long-term success in high workload environments, organizations have to create the “want to” but also add the “can do.”

## **EMPLOYEE ENGAGEMENT DRIVES PERFORMANCE**

Employee engagement is a powerful tool for driving performance. Employees who are highly engaged, well prepared, and equipped for the work they have to do are better able to deliver more. From the leanest startup to the biggest global companies, organizations that earn reputations for high employee engagement become magnets that attract—and retain—valuable talent.

It's important to understand that employee engagement is not about making people happier, *per se*. Rather, engagement seeks to help employees improve performance and increase their productivity by creating conditions that foster commitment to the organization as well as a willingness to go the “extra mile” to do what needs to be done. That said, engagement leads to the greatest impact on business outcomes when work environments also enable and empower employees. Otherwise, even when people are engaged by the goals of the organization and enthusiastic about making a difference—two attributes that distinguish the best startups—if the work environment impedes them (barriers and obstacles to getting things done) or they feel held back in their jobs, motivation and performance will suffer.

Korn Ferry Hay Group's partnership with *Fortune* magazine to identify the World's Most Admired Companies highlights the factors that contribute to making these organizations successful. Recent

findings showed 94% of executives in the World's Most Admired Companies say their efforts to engage employees are a significant source of competitive advantage. What's more, these efforts have reduced employee turnover and strengthened customer service.

Equally important—and a lesson best learned early, as startups and other new organizations scale and mature—engaged employees can help their organizations navigate more successfully through change. Engaged employees are better able to cope with new and unanticipated situations, especially when the leaders are not there to guide them to the answers. In these scenarios, leaders are counting on agile and engaged employees to determine the right courses of action and make the best decisions.

So how can organizations help employees become more engaged and deliver more? One way is with compensation that is fair and that recognizes the employee's contribution. But rewards are not monetary alone. Increasingly, employees are seeking development opportunities that will prepare them for future challenges and further their careers. Communicating the career possibilities available to employees in the organization is critical, along with providing ongoing coaching support.

The best and most effective leaders also do a good job of providing clear directions on organizational priorities. Aligning the organization around a sense of shared purpose creates a common goal bigger than functional silos, quarterly results, or geographic differences. And as people increasingly are choosing firms that provide meaningful work, companies that lead with a shared sense of purpose attract top talent.

If employees' to-do lists are longer than the workday can accommodate, leading organizations give guidance on where and how to prioritize. These companies also rate well for creating higher levels of teamwork and managing collective relationships. Today's leaders need to act more as facilitators than as managers. Connecting people enables them to solve complex problems together.

As companies grow and mature, employee engagement becomes a lens through which to look at everything an organization does, from developing leaders to community involvement (corporate social responsibility). The holistic nature of engagement means organizations cannot rely on annual employee engagement surveys alone to ascertain effectiveness and gather feedback. Evidence of employee engagement can be found everywhere, from social media comments to pulse surveys and polls. By listening to and observing employees, leaders will be able to ascertain the level of engagement among their employees—especially the key people who must be aligned with the organization's objectives, priorities, and goals in order to achieve mutual success.

## TALENT RETENTION GAME PLAN

For employers of all types and sizes there is concern about retaining key employees. (In a recent survey of rewards professionals, more than 50 percent indicated concerns that key talent retention will be challenging in the future.) However, there is considerable variation in how organizations define key talent—and how far down into the organization they actively manage this group. Those that identify, define, and manage key talent the deepest into the organization express the greatest confidence in being able to retain these individuals.

Lessons learned from more mature organizations can be helpful for startups and other new companies in their growth phases and as they mature. (After all, while it's important to learn from your own mistakes, real wisdom comes from learning from the experiences of others.) Here are some tips for making sure the key talent that has come together to launch the company stays together to propel it forward:

- Develop clarity around what defines “key employees” or “top talent.” If this definition includes “high potential,” it begs the question: high potential for what? Specific criteria to distinguish “top talent” from other employees must be carefully developed and applied consistently throughout the organization.

- Determine how key talent will be managed and developed. What extra resources should be invested in top talent? Should the organization communicate to these people that they are “top talent”? What about the employees who are not on that list? How and under what circumstances are employees added to the “top talent” pool?
- Establish a rewards system that is perceived as relevant, differentiated, and fair to lessen the chances that competitors can lure valuable employees away. Careful monitoring of the external labor market for key talent is advisable. Employees must understand why they are paid what they’re being paid. Reward systems that differentiate key talent from other employees are more likely to be perceived as equitable.
- Put talent development and succession planning processes in place for each employee.

Key employees should be kept apprised of their development and advancement opportunities. Although it may be tempting to keep a key employee in his or her current position, that may create retention problems if advancement is perceived as slow.

- Monitor voluntary turnover among key employees to find out why they are leaving. This information will help guide strategies and policies, including when it is advisable to make counteroffers.

If companies truly believe that “people are their greatest assets,” as is so frequently said, then retention must be a priority. Managing turnover will be increasingly important as key talent is becoming even scarcer. In a competitive global economy, organizations large and small will need to develop strategies for attracting, developing, and retaining the employees who will be key to their success.



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