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Retention Getters

Fearing an employee exodus, many companies are tailoring incentive programs to improve loyalty and decrease turnover. Here's how they're doing it creatively—at a time when budgets are scarce

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When every single one of the 2,000 employees eligible to apply for several vacant nurse management positions opted not to be considered, Greenville Hospital System (GHS) in South Carolina knew it had a problem that was related to its high employee turnover rate.

GHS, with more than 7,600 employees and 1,040 beds in four acute care hospitals, began an extensive workforce planning process to determine how to recruit and retain workers within a high-stress and physically strenuous environment and amid a nationwide health care personnel shortage.

"We found that [although] the average age of a GHS nurse was 37 compared to 41 nationally, [our] statistics showed a [skewed] age distribution with a large number of nurses in their 50s, 60s and even 70s at one end of the distribution," says president and CEO Frank Pinckey. The analysis further revealed that the main reason these employees sought retirement was because of the physical toll of their jobs.

So thinking of the health and satisfaction of its employees, instead of just its patients, GHS set out to redesign its facilities to better accommodate its aging workforce. One such solution was to remove the carpeting in several areas and install softer linoleum flooring—Marmoleum—that would help take pressure off the joints of these workers, who are constantly on their feet gathering supplies, transporting meals, pushing carts and responding to patient calls.

Given that many employers like GHS are still recovering from the slow economy of the past few years, they are looking for creative ways to accommodate, motivate and reward their employees. After all, 75 percent of all employees are actively or passively seeking new employment opportunities, according to the 2004 U.S. Job Recovery and Retention Survey released in November by the Society for Human Resource Management (SHRM) and CareerJournal.com. The survey also reveals that 38 percent of the human resource professionals polled have noticed an increase in turnover since the beginning of 2004.

As a result, more companies are putting a focus on individual customized retention programs, or are at least making sure their offerings better match the makeup of their workforce. In fact, 9 percent of U.S. senior-level HR executives surveyed by career management services firm Lee Hecht Harrison say that they always tailor retention efforts to an individual's needs, while 33 percent say they frequently do and 45 percent say sometimes. Only 13 percent of those surveyed for the Woodcliff Lake, New Jersey, company's 2004 "Release, Retain, Recruit" survey say they rarely or never do.

The Payoff of Targeted Rewards

When devising reward plans, the best companies think like target marketers. The employee is our customer, they say. What does each one want from us to keep her loyal to our brand? Indeed, it's these kind of individualized incentive programs that are the most effective at retaining workers.

High-performing companies customize rewards more often than low-performing ones. According to a Watson Wyatt study, companies that provide customized rewards have a median three-year TRS (total return to shareholders) nearly double that of organizations that do not customize (9.4 percent vs. 4.9 percent).

So just what types of incentives help keep a worker around?

How about award the best performers with anything they want? A new kitchen, a Harley-Davidson motorcycle, a flight to Mexico for the whole family to visit Grandma—these are a few of the "Dream Awards" Buffalo, New York–based financial services institution HSBC North America doled out to its outstanding collections and credit-counseling employees in various business units last year.

Every year, HSBC's incentive and award team asks employees to identify what prize they would like to receive if they should win. The prize value is capped at $10,000, and it cannot be redeemed as cash, but other than these two restrictions, each employee is free to pick whatever prize he wants. Then, at the end of the year, after the winners have been identified by their performance, HSBC cross-references each winner to the prize he identified, shoots a video explaining why he won and why he selected his particular prize, and, at the big Dream Awards gala, the company plays the video and awards the prize. The number of these prizes varies depending on how many truly deserve it, but HSBC says it awards about a dozen of them each year.

More than 80 percent of HSBC's employees received an annual bonus or incentive reward in 2003, according to company reports. And many of the awards are given throughout the year, not just at the end-of-year gala.

The bank's "Great Ideas" program rewards workers who make efficiency and cost-improvement suggestions. Since 2002, more than 1,500 employees have submitted more than 2,200 suggestions in exchange for generous cash, stock and merchandise prizes. The company has adopted more than 120 ideas, resulting in a value to the company of nearly $3 million.

"There is no question that involving employees in important decisions helps them to feel more a part of the organization," says Gantz Wiley Research executive consultant Scott Brooks, who is based in San Francisco. "But it's important to understand that it's the culture of involvement, of two-way dialogue and of genuine response to employee ideas about important issues that have the impact. It's not simply a matter of hanging a suggestion box on the wall."

Connecting With Employees

When an employee's motivation for coming to work is based solely on collecting a paycheck, that company is bound for turnover problems. Now, companies need to create a bond with their workers. They need to give them more of a purpose if they want to boost retention rates.

El Pollo Loco, the Irvine, California–based fast-food chain, is one company that recognizes this. It has increased retention rates and employee satisfaction by dangling a $12,000 check in front of its 7,000 systemwide workers. To attain a piece of it, all they have to do is prove, in front of the entire company, that they have the greatest knowledge about the company and its procedures and goals.

The "El Pollo Bowl" kicks off with employees at each restaurant location competing against each other to answer questions based on information found in the operations manual. Walking into a restaurant on any given day, a visitor might see workers using their break time huddled in a booth to quiz each other or maybe hear the line cook throw a practice question out to a person at the cash register. The top players from each store go on to compete with other stores in their region, and regional winners square off from 7 a.m. to 4 p.m., Family Feud-style, at nationals.

"El Pollo Bowl enables us to reinforce commitment to exceptional service in a spirited way, and it rewards the top performers," says president and CEO Steve Carley, who adds that since implementing this contest three years ago, he has seen performance in each store improve on financial metrics like lowered food costs and workers' compensation claims. The contest also helps to retain workers in the fast-food industry, where turnover for line employees can be north of 200 percent, and greater than 50 percent for managers. "We have historically been best in class for turnover," says Carley. "We always run mid-30s for management and low-100s for hourly employees."

Contests such as these also help to boost camaraderie among co-workers, which is something that can help improve retention rates, says David Sirota, coauthor of The Enthusiastic Employee: How Companies Profit by Giving Workers What They Really Want. "Sometimes companies discourage teamwork or social interaction. But where you have a lot of cooperation among employees, they are likely to be around longer."

Employees also want to feel as if their company cares about them. And that is what BioLab, a water-treatment-product supplier in Georgia set out to show when it realized that its 2002 corporate relocation from Decatur to northern Gwinnett County, 23 miles away, would put a large daily commute burden on its employees.

Faced with a mass exodus of employees, BioLab began working with the Clean Air Campaign, a Georgia not-for-profit that addresses issues of traffic congestion, to research potential carpools and vanpools based on employees' current home addresses. Once a program and route were established, BioLab had to encourage solo drivers to use this alternative mode of transportation instead of quitting their jobs.

To boost initial participation, BioLab held several commuter fairs to provide employees with information on commute programs and potential rideshare partners. The company currently pays $3 per day to those who carpool and 75 percent of the van costs of $100 per person, per month. It also pays 60 percent of expenses for those who ride the local transit line.

BioLab human resources, which won an SHRM 2004 Outstanding Achievement for HR Excellence Award, turned what could have been a negative situation into an opportunity to strengthen its employee relations. The workers arrive on the job less stressed out, with gas money still in their pockets. But most importantly, BioLab says it prevented massive employee turnover.

"During our relocation, only five employees resigned due to the commute. We haven't had any additional employees resign due to the commute," says human resources representative Lisa Pye. "We feel this is for the most part due to our alternative transportation program."

Give Them a Life

With increased revenue pressures and workloads, maybe the most important thing companies can give employees these days is good work/life balance. Unfortunately, not many are delivering.

Work/life balance benefits obviously work well as a retention initiative, but the percentage of employees indicating they work for a company that supports work/life balance has slowed to around 55 percent in the last few years, after nearly a decade of steady increases, according to a 2005 Work Trends Annual Report released in January by Gantz Wiley, which surveys more than 10,000 U.S. workers for the study.

One company that does understand the importance of creating balance for its employees is advertising agency M/C/C in Dallas. The firm, which primarily serves technology clients, gives staff some traditional perks like monthly parties; a generous 401(k) plan; and full medical, dental and vision. But in addition, CEO Mike Crawford allows the company's 17 employees to bring their children to work—every day.

After the tech bubble burst, the agency was left with a sizable amount of unused office space. So a section of it on the same floor as the main office was converted into the M/C/C Child Development Center.

"Our child development center builds loyalty with all of the employees, both directly and indirectly," says Crawford, who has no children at the center. How can one not enjoy a work environment with a three-year-old running down the hall to give a worker a hug?

"M/C/C has brought on several new employees within the last two years, and I would venture to say that the development center was a huge draw for many of them," says employee Michelle Owens. "Personally, I don't plan on having children for a few more years, but when I was hired almost a year ago it was a factor in my decision to accept the job."

Another benefit for the company: Employees give more face time at the office because they don't have to tend to their kids at home. Take Public Relations Director Michelle Metzger, for example, who barely took maternity leave because her child was at work with her every day. And there was the creative director who was married to the vice president of production who had their daughter in the program for a while. "Imagine two of your top executives walking in every morning with a stroller, diaper bag and a McDonald's sack," says Owens. "It truly contributes to the family environment that we try to promote."