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How to keep your best employees: Developing an effective retention policy

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Executive Overview

The competition to retain key employees is intense. Top-level executives and HR departments spend large amounts of time, effort, and money trying to figure out how to keep their people from leaving. This article describes some new research and its implications for managing turnover and retention. These ideas challenge the conventional wisdom that dissatisfied people leave and money makes them stay. People often leave for reasons unrelated to their jobs. In many cases, unexpected events or shocks are the cause. Employees also often stay because of attachments and their sense of fit, both on the job and in their community. We discuss these ideas and make recommendations for integrating them into a comprehensive retention plan.

Voluntary turnover is a huge problem for many organizations today.[1] A *Wall Street Journal* article states: "Job hopping prevails amid a cornucopia of vacancies."[2] The Society of Human Resource Management, a professional organization dedicated to the problems facing managers, says that the retention issue is its "hottest topic."[3]

Some industries or groups are particularly at risk. The Big 5 accounting firms are described as having "raging turnover," particularly among female employees. While up to 50 percent of the new hires may be women, only about 5 percent will make it to partner. High-technology companies also face acute losses and shortages. One report suggests the average tenure for people in high-technology positions is one year. In addition, looking at the whole U.S. workforce, approximately half of the workers expect to leave their jobs in the next five years.[4]

There are many reasons why people voluntarily leave organizations. Some are personal: changes in family situation, a desire to learn a new skill or trade, or an unsolicited job offer. Other reasons are influenced by the employing organization: observing the unfair treatment of a coworker, being passed over for promotion, or being asked to do something against one's beliefs. Turnover is a problem because it imposes extensive costs on both individuals and organizations.

At the individual level, if a person leaves voluntarily, he or she believes, at that moment, that leaving the job is the right thing to do. However, transitions to another job or situation (e.g., stay-at-home parent, additional education) take a personal toll. Going to a new job is stressful. There is uncertainty and ambiguity. The employee, along with family members, must make numerous adjustments, especially if relocation is involved. New living accommodations, schooling for children, and spousal reemployment are just some of the possible hurdles. In addition, friends may be left behind. Some people estimate that it can take up to a year for adjustments to be made and a career to get back on track.[5]

At the organizational level, turnover inflicts numerous costs. Departing employees often take with them valuable knowledge and expertise gained through experience. Often they have established close relationships with clients. In addition to these indirect or less quantifiable costs, organizations face many costs directly related to turnover, including exit interview time and administrative requirements, payout of unused vacation time, and the cost of temporary workers or overtime for coworkers asked to fill in. Replacement costs include advertising, processing of candidates, interviewing, and selection. Finally, training costs—both formal and informal—add to the overall burden. One well-known New York law firm estimates the replacement costs for an associate at as much as

$200,000.[6] A *BusinessWeek* study estimated that replacement costs alone are over $10,000 for about half of all jobs, and for 20 percent of all jobs are over $30,000.[7] In a separate study, the Hay Group found replacement costs are about 50 to 60 percent of a person's annual salary.[8] Other costs may not be so easily quantified. For example, understaffing because of excessive turnover among corrections officers has been blamed for high-profile prison escapes.[9] Reduced effectiveness of cockpit crews that are reorganized frequently because of turnover is another example of hidden organizational costs.[10]

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Organizations of all sizes and types are recognizing that they are engaged in a struggle to retain talent, and are actively trying to do something about it. One recent report declares that one in 10 big businesses has a full-time person assigned to retention.[11] The big question is—what should this person do? How can an organization attract and retain its employees—especially its most valuable and irreplaceable ones?

The Prevailing Wisdom

Management scholars have learned a lot about voluntary turnover over the years; thousands of studies have been conducted on the topic.[12] Both the academic and practitioner literatures have made contributions to our knowledge. And from all of this work, some clear and enduring principles have evolved.

Academic perspective

Two major factors have captured most of the academic attention: job satisfaction and job alternatives. People who are satisfied with their jobs (e.g., evaluate positively their pay, supervision, chances for promotion, work environment, and tasks they do) will stay, while those who aren't will leave. Given the same level of dissatisfaction, people with more alternatives will be more likely to leave than those with fewer alternatives.

Considerable research has explored these relationships in detail. There are many causes of job satisfaction, such as job enrichment, good supervision, clear roles, and met expectations. Dissatisfaction is associated with job stress, repetitive work, role ambiguity, and role overload. Economic factors, including pay, benefits, and other rewards, influence job satisfaction, as do structural and procedural factors reflecting autonomy or fairness. In terms of what initiates the turnover process, job dissatisfaction has been described as the most important and frequent cause. Thus it is good, solid advice to design jobs and manage work environments to maintain a high level of job satisfaction.

Once dissatisfaction sets in, an employee presumably looks around for other work alternatives. The employee may conduct a job search and uncover some interesting options. Both perceived and actual alternatives can influence this process. At this point, it appears that the underlying thought is, "I intend to leave." If alternatives are judged to be favorable in comparison to the present job, the person is predicted to leave. If not, the person stays. Thus attitudes about one's current job and the availability of alternatives are seen as the antecedents for voluntary turnover.[13] Satisfied employees will be less attracted by alternative jobs.

Research over the last 15 years has expanded this focus somewhat. Other attitudes have been studied, such as organizational commitment, job involvement, and perceived organizational support. How and when people search for alternatives have also been explored as has how modern conceptions of a career influence propensity to remain in a firm.[14] It appears that many employees expect to have numerous jobs during their careers. Some authors have examined personality predictors of turnover, such as conscientiousness, while others have examined the influence of psychological contract violations on turnover intentions and actual turnover.[15] Violating initial job expectations can decrease trust, cause anger, and precipitate the turnover process. Still, while these studies have added to our knowledge, the prevailing wisdom has remained relatively unchanged for 50 years. One of the best recent reviews summarizes this state of affairs: "Together with turnover intentions and cognitions, affect and alternatives have been the prominent antecedents to turnover."[16]

Two other comments on this academic literature are necessary. First, in most cases, staying is seen as the simple obverse of leaving. That is, people who are satisfied with their jobs and/or have few alternatives will remain on the job. The same authors quoted above concluded that "relatively less turnover research has focused specifically on how an employee decides to remain with an organization and what determines this attachment."[17] This point is critical for our work because we believe that staying and leaving involve different psychological and emotional processes.

The second point is that researchers' collective effort to predict turnover has not been very successful. Even the more complex theories, with multiple attitudes and assessments of perceived alternatives, leave about 75 percent of the variance in turnover unexplained.[18] It was this rather gloomy assessment that prompted us to pursue new ways to understand this topic.

Practitioner perspective

Much of the practitioner literature has also reflected the prevailing wisdom. Assessing job satisfaction and making changes based on this information has been an organizational strategy for retaining employees and reducing turnover for decades. Sears, for example, has been doing this for over 50 years.[19] Since perceived or actual alternatives are often beyond an organization's control, they have received less practitioner attention than job satisfaction.

We should also point out that much of the practitioner literature on staying and leaving reflects an economic perspective. In terms of attracting employees in today's job market, signing bonuses have become commonplace.[20] For keeping employees, "retention bonuses have become the tool of choice."[21] Added to this financial arsenal are housing allowances, profit sharing, and spousal financial and job assistance.[22] High-tech firms—which are extremely dependent on human capital—have often led this charge. They attract employees with stock-option riches; when market downturns threaten this carrot, they reprice or reissue the options.[23] In short, one way to make a job attractive is to throw money at people.

Before concluding this review, we want to make it clear that the prevailing wisdom has substantial truth behind it. Satisfaction is important for staying, and all the good management techniques that have been espoused over the years probably contribute to it. June Delano, at Eastman Kodak, in addressing the turnover problem, recommends things like frequent and honest communication, fair and equitable compensation, and clear performance expectations.[24] In addition, pay and other financial incentives work to increase motivation, commitment, and satisfaction. That having been said, we believe that the prevailing perspectives on leaving and staying are too narrow. We've spent the last 11 years developing and testing new ideas about employee retention. Here is what we've found.

Shocks and the Unfolding Model

Our initial focus was on why and how people leave their jobs. We knew that accumulated job dissatisfaction was one reason. But were there other reasons? Did some people leave who were satisfied with their jobs? We also knew that many people searched for alternatives and compared them with their present job. But were there people who left without searching or making such comparisons? We spent a substantial amount of time talking to people about their personal experiences of leaving jobs. We read the practitioner and scientific literature, interviewed hundreds of people who had left jobs in a wide variety of occupations, and surveyed thousands of others—many of whom subsequently left their jobs.

Some clear themes emerged from these investigations. First, many people said they initially thought about leaving in response to some particular event. We call such an event a shock to the system. Frequently cited shocks were mergers, unsolicited job offers, friends' leaving, having a baby, spouse relocation, a poor performance appraisal, and administrative changes. What was of interest to us were the ways these shocks differed. Some were seen as positive (e.g., job offer, pregnancy); some were negative (e.g., friends' leaving, poor appraisal); and some were neutral (e.g., spouse relocation, administrative changes). Some were expected (e.g., being accepted to graduate school) and some unexpected (e.g., changes in compensation plan). Whether expected or unexpected, when a shock occurred, serious thoughts about leaving followed. Some violated mutual expectations (e.g., the psychological contract), while many did not. Some were external to the job, while others happened at work. There was a great variety in what precipitated thoughts of leaving. Some of these events, eventually or immediately, caused job dissatisfaction, but some did not.

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A second theme that emerged was that quite a few people left their jobs without searching for another one and making comparisons with their present job. This process seemed to occur in two distinct ways. Some people seemed to have plans or scripts that were triggered by some event. They knew if they got pregnant or got accepted to graduate school, they would leave. Or they already had a plan in place based on past experience (e.g., to leave if a small start-up were bought out by a big company). Other people did not have plans or scripts, but left because of an event that was so shocking or negative or unexpected, that they just packed up and exited without making comparisons. These people may have believed that they could get another job elsewhere, but they left fairly quickly and violated the oft-given advice to never leave a job without another in hand.

So it seemed to us that the process of leaving was far more complex than the accepted model, where job dissatisfaction and the comparison of alternatives result in departure. Simply put, there were many different ways or paths that people used to leave their jobs. In an attempt to construct some orderliness out of this variety and complexity, we developed the unfolding model.

The unfolding model describes four paths people take when they leave a job. These paths unfold over time at different rates, and they involve different processes and behaviors.[25] We have many examples of these paths, based on our empirical research in hospitals, banks, accounting firms, and retail grocery stores. Where possible, we present high-profile examples that have appeared in the news.

Three of the paths are initiated by shocks—events that caused people to question their staying with a firm—not job dissatisfaction. Examples abound in the popular press. A man is pressured to fly to an out-of-town meeting when his pregnant wife is three days overdue and he misses the delivery of their baby. It was the "deal breaker, the event so egregious that it drove Mr. Walton to quit."[26] A woman likes her job at a plastics start-up, but starts looking for another job when she is asked to clean the bathrooms.[27] A man's boss trims $1.25 off a travel-expense reimbursement request for laundering a shirt while on a trip.[28] These events, or shocks, prompt people to think about leaving.

Path 1: Following a plan

Path 1 is characterized by a shock to the system and a plan or a script already in place for leaving. Some people know that they will leave if they or their spouse gets pregnant or if they get accepted into some sort of educational program. Temporary or part-time employees often work for some specific amount of money, then quit. Many of today's technical employees plan to leave their jobs after 12 months; when the time is up, they quit, confident that they can find something else whenever they want.[29] One of the best examples we encountered was the employee in one organization who took a hiring bonus, received the standard three month's training, got a bonus for finishing the training, then quit, without another job lined up. And that was the employee's plan from the start. In sum, Path 1 is precipitated by a shock. The shock can be expected (e.g., end of training) or unexpected (e.g., spouse has to relocate). It can be positive (e.g., pregnancy), neutral (e.g., merger), or negative (e.g., sexual harassment). The key point is that a plan is in place. The event happens and the person thinks about leaving, calls up the plan, and leaves. Dissatisfaction is not the initiating cause, and there is no search for alternatives.

Path 2: Leaving without a plan

Path 2 also is started by a shock, but there is no plan or script in place. Again, the person leaves without searching for alternatives. Bill Russell, a famous basketball player and coach, left a coaching job soon after a game where he found himself yelling at his players to kill the opposition.[30] The head of the computer services for a large organization quit the day after a person he didn't like was named his boss. A nurse was denied her request for six months' leave; an employee whose father became ill needed to move closer to his home; a transfer request was denied; a friend was laid off; an individual was passed over for a promised promotion. In all these cases, the people left without considering alternative jobs. In Path 2, the shocking event is often negative and involves such a violation of expectations that negative emotions like distrust or anger accompany the leaving process.

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Path 3: Leaving for something better

Path 3 commences with a shock that leads to relative, possibly minimal job dissatisfaction. In turn, the person considers alternatives and eventually leaves, usually with another job in hand (or in some cases, almost a sure thing). Patty Stonesifer was a Microsoft executive. When she turned 40, she decided she wanted to be with her family more. She lined up some consulting with DreamWorks, and quit her job at Microsoft.[31] David Falk, of ProServ, found himself in the hospital with a blood clot. While he rested and reflected about the difficulties he had with his boss, Donald Dell, he decided to quit and start his own business.[32] In our interviews, we found a considerable number of Path 3 leavers report the shock as being an unsolicited job offer. Many of these people are not dissatisfied with their jobs. Mike Mitchell, a Phelps Dodge Corp. employee, was "perfectly happy" when he got an offer he couldn't refuse.[33] Path 3 dissatisfaction is often relative; the people like where they are, but the alternative is better. The key is that the shock triggers the relative dissatisfaction, which leads to consideration of alternatives, which results in quitting. This process tends to be very thoughtful and quite complex.

Path 4: Leaving an unsatisfying job

Path 4 is initiated by accumulated job dissatisfaction. There are two different ways in which this dissatisfaction leads to quitting. In what we call Path 4A, people become dissatisfied and leave without searching (similar to Path 2 people, but without the shocking event). Jim Manzi was the CEO for Lotus Development Corp. when IBM took it over. Initially enthusiastic about the merger, he found over the next half year that a variety of things happened he didn't like, especially the direction and vision for the new merged group with which he worked. He decided to quit—without another job in hand.[34] We interviewed people who quit because over time they got bored, failed to make friends, or changed in such ways that their current job was clearly not where they wanted to be.

Path 4B also involves accumulated job dissatisfaction, but here the person does look for and evaluate alternatives. He or she leaves upon finding a more attractive option. Note that this path reflects the prevailing wisdom we described above. Dissatisfaction leads to search, which leads to leaving. One computer-system consultant reported that over six months he was shuffled about and felt "like a piece of meat." Eventually his dissatisfaction led him to search for a better job and ultimately to quit.[35] People following this path reported to us examples of cost cutting, increased workloads, or continuing problems with work schedules or work assignments that over time led to dissatisfaction, search, and leaving.

Table 1 presents a summary of the four paths, including the attributes of each and the amount of time it takes for paths to unfold. There seem to be two key time periods: the time between some event or accumulating dissatisfaction and the decision to leave, and the time between the decision to leave and actual leaving. The first phase involves checking for a script or plan and seeing how a shock may fit with the rest of one's feelings about a job. These happen fairly quickly in Paths 1 and 2, where time is measured in days or weeks. It can also involve accumulation of discontent, which happens more slowly in Paths 4A and 4B, where time is typically measured in months and years. The second phase involves searching for and evaluating alternatives. This process is often lengthy in Paths 3 and 4B, and, therefore, they take the longest time to unfold.

The Complexities of Leaving a Job

We gathered data from five separate samples that address the principles of the unfolding model. In the first two studies (one qualitative and the other quantitative), we focused on leavers and the paths they took. In the first study, we interviewed 44 nurses who left eight hospitals in a large metropolitan area.[36] In the second study, we surveyed 229 voluntary leavers who left the Big 5 accounting firms.[37] We then conducted two more studies where we gave questionnaires to a large sample of employees and then tracked who left and who stayed. In the third study, we examined 177 employees at eight stores of a retail grocery chain. The fourth study involved 208 employees of a community-based hospital.[38] The participants in these last two predictive studies were given a list of events that were previously determined to be shocks, based on interviews and focus groups. These people were asked to indicate whether they had experienced these events and how much the experience made them think about leaving their jobs. They were also asked whether they had scripts or plans for leaving in place, in case the event did occur. In our

Table 1
The Unfolding Model Paths

	Path				
Attribute	1 Following a plan	2 Leaving without a plan	3 Leaving for something better	4A Leaving without a plan	4B Leaving for something better
Initiating event	Shock	Shock	Shock	Job dissatisfaction	Job dissatisfaction
Script/Plan	Yes	No	No	No	No
Relative job dissatisfaction	No	Yes	Yes	Yes	Yes
Alternative search	No	No	Yes	No	Yes
Time	Very short	Short	Long	Medium	Long

fifth study, we did both. We had 841 employees at a large financial center fill out questionnaires, then interviewed 72 of them who subsequently left during the next year. We will call these the nurse, accountant, grocery store, hospital, and bank studies in the following summary comments.

Table 2 presents the paths taken by the employees who left their jobs in the nurse, accountant, and bank studies.[39] One initial comment is necessary. Using either questionnaires (accountants) or interviews (bank), we were able to classify over 95 percent of the leavers reliably (i.e., agreement across several independent, impartial judges) into a particular path. Our data suggest almost everyone leaves via one of these paths.

But how and why people left is what is important. Note that Paths 3 and 4B are the most frequently used in all three studies. Both of these paths involve a search and evaluation of alternatives, with about 75 percent of people searching before leaving. Also note that the process of leaving is initiated for more people by a shock (Paths 1, 2 and 3, which account for 63 percent) than by accumulated dissatisfaction (Paths 4A and 4B, which account for 37 percent). In combination, these data help to explain why the traditionally studied variables of job dissatisfaction and alternatives aren't strongly predictive of turnover. A lot of people leave without alternatives, or as a result of some shocking event that may not be associated with job dissatisfaction.[40] Our findings show that the leaving process is considerably more complex than reflected in the conventional wisdom.

The content of these shocks is important to understand what went on. Very few people left specifically because of a shock involving money (e.g., lower-than-expected raise, change in benefits, someone else in a similar job makes more). Interestingly, no nurses, four out of 69 bank employees, and 14 out of 212 accountants cited a monetary shock as the reason for leaving. Slightly over half the people (128) left because of shocks that were external to the organization (e.g., spouse relocation, unsolicited job offer, pregnancy), while 99 left because of internal shocks (e.g., poor evaluation, merger, disagreement with boss). Thus shocks that did not involve money and were often out of the organizations' control frequently precipitated the leaving process.[41] Again, the conventional wisdom's reliance on a primarily economic explanation for turnover may also be too simple.

We can look at the reactions to shocks in more detail by analyzing the data on thoughts about leaving from the grocery, hospital, and bank studies. The internal organizational shocks that caused the most thinking about leaving were: being encouraged to leave (but not fired); having a major disagreement with one's boss; being passed over for promotion; or receiving an unexpected negative performance evaluation.

Mergers, reorganization into work teams, the completion of a training or education program, or disagreement with a coworker produced fewer strong thoughts about leaving. The external shocks that caused the most thoughts of leaving were the unexpected job offer (which probably includes pay as an issue to consider), followed by a spouse's relocation. Importantly, thoughts about leaving were significantly related to intention to leave and actual leaving in these three samples.

We conclude this section with two final points. First, the job satisfaction of leavers, while significantly lower than stayers, was above 3.0 on a five-point scale for the four samples where it was measured (accountant, grocery, hospital, and bank). Thus many people leave who are relatively satisfied with their jobs. Second, the paths unfold at different rates, much the way we have suggested. People in Paths 1 and 2 (who experienced a shock) reported that they left more quickly than those in Path 3, who experienced a shock, but also searched for alternatives. It is hard to assess time to leave for Paths 4A and 4B people because the job dissatisfaction that precipitates leaving (4A) or search (4B) can take a very long time (in two of our studies Path 3 occurred more quickly than Path 4B). Fur-

Table 2
Number of Leavers by Paths

	Path					
Sample	1 Following a plan	2 Leaving without a plan	3 Leaving for something better	4A Leaving without a plan	4B Leaving for something better	Total
Nurses	6	6	14	8	10	44
Accountants	6	7	136	8	55	212
Bank employees	4	6	19	6	34	69
Total	16	19	169	22	99	325
Percent	5	6	52	7	30	100

ther, Path 4B, which involves search, takes longer than Path 4A, which doesn't.

In summary, we have added to the accepted principles that dissatisfied people who have options quit. Our research shows that many people leave as a result of shocks. Many of the shocks are external and don't involve money. Many people are relatively satisfied when they leave. All the paths are taken and occur with different speeds, suggesting that a rich diversity characterizes voluntary turnover.

Job Embeddedness and Staying

The traditional perspective of why people stay on a job includes the factors from the turnover research (e.g., satisfied with job, no alternatives), plus other attitudes or affective reactions (positive feelings) about the job, including organizational commitment and perceived organizational support. If we like our job, are committed to our organization, and believe they are committed to us, we stay. As we mentioned earlier, these variables have been shown to be related to turnover.[42] However, our research on the unfolding model, and our reading of both the scientific and practitioner literature (we will treat them together in this section), suggested that other factors were operating to keep people in their jobs. Two streams of thought seemed important.

First, it was clear that nonwork factors could keep someone on the job. Family pressures, community commitments, and many other off-the-job variables can influence an employee's likelihood of staying with an organization. For example, one issue that is receiving increased attention is work-life balance. Employees today want time to attend to their personal and family activities off the job. Related issues include work-related stress and frequent travel. One study reported that 40 percent of Americans feel they have excessive workloads that negatively influence their lives off the job. In short, accumulating evidence suggests family, hobbies, and church commitments can keep one on the job (especially if one would have to relocate when changing jobs), and lack of attention to these outside commitments by one's employer might prompt one to leave.[43]

One study reported that 40 percent of Americans feel they have excessive workloads that negatively influence their lives off the job.

The second big area omitted from the traditional perspective was all the things that one might describe as nonaffective or nonattitudinal. Many people stay because of attachments they have to people (e.g., coworkers, employee network groups), or activities like the company softball team or sponsored community-service activities.[44] Leaving a job often requires individuals to sacrifice or give up perks, routines, or projects to which they have grown accustomed. People reported to us that they weren't particularly satisfied or dissatisfied, but that wasn't the issue that was important. It was the idea that they couldn't leave right now because too many things kept them entrenched in their jobs.

Job embeddedness was the term we used to summarize a broad constellation of factors influencing retention, including those mentioned above. Think of a person's life as being like a web, with various nodes or objects on the web representing people, things, groups, and institutions. One's job is in the middle of the web. The number of connections may vary, the distance or strength of the attachments may vary, and the overall connectedness of the web (attachments among nodes) may vary. Leaving a job may greatly disturb that web, and it was our belief that it was this web-like quality, or embeddedness, that often keeps people on the job.

Based on our research on the unfolding model, people's stories about why they stay in a job, and our ongoing deliberations about these topics, we believe that job embeddedness consists of three factors: links, fit, and sacrifice. In addition, each of these factors can occur on or off the job. A review of these factors and some examples are presented below.

Links

Links are the connections between a person and other people, groups, or organizations. Many organizations are coming to see these links as important on the job. Many CPA firms are using mentor systems and designated role models to increase the attachment of their female employees. They are also encouraging employees to choose their own clients.[45] These are link-building activities. Engelhard, a diversified manufacturing company in New Jersey, uses mentors and what they call a Buddy System.[46] We also know that many organizations have increased their use of teams, but some organizations, such as the software development firm WRQ, use teams strategically to increase this networking bond.[47]

Off-the-job links can influence the employee as well. The number of family, relatives, friends, and other types of links established through hobbies, church, or community activities can embed a person. Organizations can facilitate such links. Some firms give employees time off to volunteer in their communities.[48] SAS Institute, a statistical software firm, offers a discount on homes purchased in a nearby community. Other companies provide new employees with information on resources and activities in their communities. Thus a variety of organizational strategies are available to increase links.

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Fit

Fit is defined as an employee's perceived compatibility with job, organization, and community. The research on organizational fit has been extensive and clear. The more individuals fit with their jobs, coworkers, and larger corporate cultures, the lower the turnover. Perceptions of fit are especially important during the early stages of adjustment to a job.[49] A recent survey conducted by Caliper of 180 executives who left their jobs reported that "nearly 40 percent of employees essentially said they are resigning because their jobs just did not fit."[50]

The fit with one's off-the-job environment is also important. Does the employee like to ski, fish, sing in a choir, or attend local theater? Do they have a child with soccer practice after school, or a parent who needs to be visited? Both recreational preferences and interpersonal responsibilities can be better fulfilled if the employee has some choice over when and where they work. The use of flextime is one organizational option that helps this fit and is widely used. For example, a recent survey of 614 accounting firms worldwide ranked flexible schedules as the most effective retention tool.[51] Other strategies, like part-time work, telecommuting, and 35-hour work weeks, give people a better chance to be in sync with their off-the-job activities. One retention champion summarizes these ideas by saying that companies need to "recruit" their good performers and that jobs should be customized. "One size fits one" was his motto.[52]

Sacrifice

Sacrifice reflects the cost of what people have to give up if they leave a job. Many of these sacrifices involve foregoing financial incentives tied to longevity. Retention bonuses, retirement funds, stock options, and golden handcuffs help to keep people on the job.[53] But many of these benefits can be matched by competing firms. More subtle approaches are also being used. For example, many companies have minisabbaticals tied to longevity.[54] Other employers provide a pleasant organizational environment, funds to personalize offices, an atrium, lovely views, exercise facilities, and massages.[55]

Some of the sacrifices involve programs or activities with a more long-term or personal focus. Many companies (e.g., Sears, Citibank, and International Paper) have long-term development plans they work out with employees.[56] They invest in the employees' training and growth. Other companies offer personal-development funds to retain top employees, who can use the funds to obtain training on any topic they feel will help their performance.

Equally important are the things an employee would give up that relate to their personal, off-the-job situation. Child-care support through the use of on-site centers, vouchers, or assistance is frequently used. The Child Care Action Campaign reports that 10,000 firms provide some sort of help. Twenty-seven percent of job applicants to Union Bank in California said that the day-care center was a big attraction, and the turnover for those using the center was 2.2 percent, compared with 9.5 percent for non-users.[57] Healthcare clinics can also help embed an employee.[58] Booz Allen & Hamilton builds loyalty through its concern for the demands of one's personal life by providing time off when it is needed.[59]

In summary, job embeddedness is a relatively new idea. It reflects those on- and off-the-job factors that keep people in their current positions. Table 3 summarizes examples of how employers can help embed employees in jobs using the various dimensions to guide their specific efforts.

Embeddedness limits leaving

To capture the impact of these diverse forces that keep people in their jobs, we developed a measure of job embeddedness that we have used in three separate studies.[60] It is measured with a survey designed to assess fit, links, and sacrifice, both on and off the job. The three studies were mentioned earlier: a retail grocery story chain (N = 177), a hospital (N = 208), and a banking center (N = 841). In each study, we surveyed a large group of employees and measured job embeddedness, job satisfaction, organizational commitment, perceived job alternatives, job search, and intention to leave. We then tracked who left over the next year and conducted exit interviews. A clear and compelling story emerged.

Job embeddedness was negatively related to intention to leave and actual turnover in all three organizations. People who reported being more embedded in their jobs were less likely to leave their organizations. Of greater importance was the fact that, in all three studies, job embeddedness added to the prediction of turnover, over and above the pre-

Table 3
Job-Embeddedness Suggestions by Dimension

Dimension	Organization	Community
Links	• Provide mentors • Recognize team accomplishments; reinforce team identities	• Provide organizational support for community-based service • Sponsor employee sports teams in local leagues
Fit	• Hire based on fit with the job • Hire based on fit with the organizational culture and values	• Recruit most intensively in local markets (minimize relocation) • Promote work-life balance programs (e.g., flextime, job sharing)
Sacrifice	• Provide financial incentives (golden handcuffs) • Provide nonfinancial incentives (e.g., sabbaticals or unique perks)	• Promote without requiring transfer • Provide home-buying assistance

dictions made by job satisfaction, organizational commitment, job search, and perceived alternatives combined. Thus job embeddedness captured something new and different from the standard measures used in traditional turnover research.

In addition, we tried to understand how job embeddedness influenced the decision to leave. It turns out that those who are highly embedded, when faced with an event we have called a shock (from the unfolding model), have fewer thoughts about leaving. They also have fewer scripts or plans in place for leaving in case a shock occurs. As we would also suspect, people who are embedded tend to be satisfied, committed, and have high job involvement. Thus job embeddedness is reflected not only in traditional job attitudes, but also seems to buffer the individual from the effects of shocks that might otherwise prompt one to leave.

Developing a Comprehensive Retention Plan

There is no magic pill for a company's retention problems. We know from observing professional sports or CEO succession, for example, that even paying a person millions of dollars a year does not prevent relative job dissatisfaction and lower organizational commitment, more job search, or an increased likelihood of quitting. We know from a century of observing collective bargaining, moreover, that the positive effects of more pay are often short-lived. Retention cannot be accomplished purely through money. A host of on-the-job and off-the-job factors must be considered when developing a retention plan. Ultimately, a company's leader must survey these factors and select those that are most applicable to his or her firm. We do have some guidelines about how to proceed.

Retention cannot be accomplished purely through money. A host of on-the-job and off-the-job factors must be considered when developing a retention plan.

Employees go through several stages during the time they are employed by organizations. There is an entry phase, where employees learn the ropes, the norms, and expectations surrounding a job. There is a period where employees settle in. This period can be very short or very long, but is characterized by some stability in terms of employees' lives on the job. Not a lot of new information is learned about the job or the organization. Finally, there is a period of withdrawal or detachment that precedes retirement or voluntary or involuntary turnover. The material we have covered so far is very important for developing a comprehensive retention plan that can influence employees during all the stages of their careers. In the following discussion, we will organize the key findings to help executives formulate a comprehensive retention plan.

Make strategic decisions

The first steps in developing a retention plan are largely strategic:

Determine whether turnover is a problem. How many people are leaving? Who is leaving? Do we want these people to leave? What does it cost to replace them?

Determine why people are leaving. Conduct exit interviews. Consider having outside consultants perform the exit interviews one to three months after departure to ensure that the reasons provided are not defensive or protecting those left behind. Having the

HR department or an outsider conduct the interview also helps the leaver to not fear retribution.

Investigate reasons why people stay. Conduct focus groups with existing employees. Determine the factors that keep them in their jobs.

Develop top-level support for the plan. The organization needs to be willing to devote financial and human resources to the planning, development, execution, and maintenance of any plan.

Identify the targets of the plan. Is it for only a few? Is everyone involved? If everyone is part of the program, that means that the initial selection of employees into the company is critical, because from that point on the company will attempt to retain almost every employee.

Draw on conventional wisdom

Once these strategic parameters are set, organizations should continue to pay close attention to basic management practices advocated by the traditional turnover literature.

Routinely assess job satisfaction and organizational commitment. Make the gathering and public feedback of these data part of the organizational culture.

Be prepared to make changes based on these findings. Have resources and strategies at the ready. Gathering data without action causes cynicism and anger.

Focus on topics like supervision, pay, the work environment, and company values. These are the more traditional factors that human resources personnel are trained to deal with.

Apply the unfolding model

In addition, we think the unfolding model highlights some important practices for the development and implementation of a retention plan. For example, for many people, the leaving process is initiated by a shock (Paths 1, 2, and 3). Through the use of surveys of former and current employees as well as exit interviews, organizations can identify the types of events that cause people to reconsider their employment. This information can be helpful in the following ways:

Learn the distribution of shocks across paths. This information shows how many people leave because of dissatisfaction, and how many people leave without another alternative in hand. It gives you a feel for what initiates the process.

Analyze the content of the shocks. Are people leaving because of family responsibilities or educational opportunities? Are they leaving as a result of unsolicited job offers? Are the events expected or unexpected?

Use realistic job previews for new employees. These previews can reduce the number of events that are unexpected, and clarify the psychological contract and reduce turnover.[61]

Attack the unsolicited job offer problem directly. Some companies offer bonuses to people reporting outside offers.[62] This information lets firms adjust current compensation and organizational policies to be competitive. It also provides opportunities for quick strike counter offers. Employees could be encouraged to report job offers for spouses (especially if they require relocation). Provide placement counseling and services for spouses to keep employees from leaving.

Determine which scripts most frequently appear for Path 1 leavers. If pregnancy is a major factor, consider day care, healthcare support, or extended maternity leave as policies that may sustain employment. If educational opportunities are causing people to leave, consider the development of educational programs in-house, or provide time off and tuition support to attend a nearby college or training facility.

Prepare people for potential shocks. If mergers or the annual performance appraisal period are seen as shocks, get employee discussion groups underway to ascertain anxieties and solicit input about these events. Make sure the reasons and procedures for such events are clear.

Be prepared to respond to external personal shocks. Part-time work, telecommuting, flex time or minileaves can help an employee deal with an acute (or chronic) problem such as an ill child or a parent who comes to live with an employee's family.

Assess the time it is taking people to leave. Some paths (e.g., Paths 1 or 2) unfold fairly quickly, while others (e.g., Path 4) take longer. In some cases (e.g., low job satisfaction), companies can react to the information and improve conditions over time, while in other cases they need to anticipate shocks and move quickly to preempt departure.

Assess job embeddedness

Job embeddedness can be established and maintained through careful attention to the connections employees make to people, institutions, and activities both inside and outside the organization. Providing support and/or incentives to get involved in the local community can have an important impact on retention that is independent of job satisfaction or organizational commitment.

Work to ensure a good fit with the job for each employee. Through the use of personal development plans, employers can continue to provide opportunities for employees to fit in their jobs throughout their career. One job fits one.

One job fits one.

Facilitate fit off the job. Resources about community activities can be gathered and made available. Work hours (flextime, part-time) can facilitate a match with employee preferences. Cafeteria-style compensation plans allow people to choose compensation options that fit their personal lifestyles (e.g., more healthcare, more vacation time).

Influence links on the job through programs that create connections between people. Establish mentoring or buddy systems. Set up teams and be mindful of the composition. Try to put people together who will like one another (similar interests, hobbies, or life circumstances). Introduce long-term projects and provide project teams with a sense of identity. Recognize group achievements.

Influence off-the-job links. These can be tougher to influence than those on the job. However, a company can sponsor (and provide time for) employees to participate in various activities, such as community cleanup or beautification. Organizations can sponsor little league teams for children or bowling leagues for employees. Various off-the-job social activities can increase the opportunity to establish links.

Create sacrifices on the job by introducing financial incentives tied to longevity. Some firms have sabbaticals available after a set number of years. Suitable perks, such as access to a beach house or tickets to the opera or sports events, are good ideas. Long-term career development and training are increasingly valued by employees. The best offices and parking places can be made dependent on tenure. One investment bank pays the college tuition for children of employees who have been with the company for five or more years.

Pay attention to off-the-job sacrifices. Many of these things would be given up only if one had to relocate (such as football seats that get better every year). However, other company-related sacrifices can be made salient. Company vehicles (e.g., trucks or vans) used off site, weekend day-care facilities, or support for long-term community service would disappear if one left.

Winning the Competition for Talent

Employee-retention programs require an overall, comprehensive, thoughtful process to be effective. They are expensive and require substantial effort, and vary across organizations and industries. However, there is growing recognition that these programs compete for talent. Our ideas based on the unfolding model and job embeddedness have expanded knowledge of the turnover process and suggested important actions to alleviate the problem.

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[41] Although many shocks may be outside the organization's ability to control, organizations should nonetheless seek to better understand and track shocks to inform future employee attraction, selection, and retention intervention strategies.

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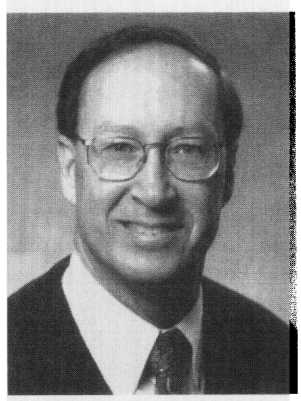

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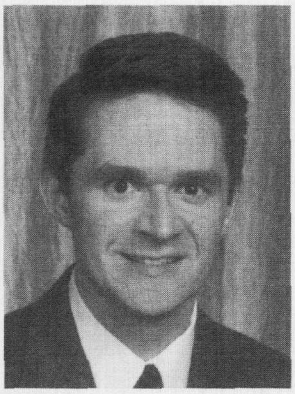

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Executive Commentary

Ted Graske
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A key tenet of Chinese philosophy is the concept of Yin and Yang. The essential theme of the Yin-Yang school of thought is that all events in nature appear to be grouped into pairs of mutually dependent opposites. For example, the concept of night has no meaning without the concept of day.

When it comes to why people stay or leave organizations, Mitchell, Holtom, and Lee contend that the reasons are not polar opposites. Conventional wisdom is that people who are satisfied with their jobs (i.e., perceive pay, supervision, promotional opportunity, and work environment as positive) will stay, and those who aren't will leave. Rather, the authors contend that staying and leaving involve very different psychological and emotional processes.

I can recall examples not only from business, but also from the military services, of people in the authors' Path 1. These are people who know they will be leaving at a certain time or because of a special event. Many people join the armed forces to get an education, put in their time, and return to civilian life. In business, there are situations where job dissatisfaction is not the prime stimulus. For example, a spouse's relocation stimulates the decision to leave. In these cases individuals make conscious plans to leave. Job dissatisfaction or money is not so important. Taking Path 2 are those individuals who experience the shock or negative perception of having their expectations violated. I can recall several executive reorganizations where a hated rival became an executive's superior, and in a relatively short period of time, the individual left rather than meet the expectations of the new boss.

In Paths 1 and 2, the time for counter measures may be limited as the time between decision and action is relatively short. The theme of Path 3 is that people do leave for something better. The shock of learning from a salary survey that you are 20 percent under the market can lead to consideration of other alternatives. However, it is not only money. Anyone who has dealt with employees in the Silicon Valley can tell you while they leave to acquire lucrative stock options, they also leave if they feel that they have worked on the same technical problem too long and yearn for new learning and a more challenging or technically satisfying job.

The authors are also quite clear that job dissatisfaction—Path 4—is very important in deciding to leave. The distinction here is that it is often an accumulation of events that lead to a growing discomfort with the status quo. Relief from this discomfort comes to the individual by leaving. The time span between the decision to leave and actually leaving is usually longer relative to the other paths. The inference is that there is more time for the organization to take corrective action.

Knowing the symptoms is important. I recall a recent conversation with a manager, which started: "Ted, I am up to here with frustration, and I am leaving as soon as I can." He went on to write a detailed laundry list of dissatisfying and frustrating experiences, largely concerned with office politics. This person's area of expertise is very marketable, his compensation is not excessive, and he is dissatisfied with many aspects of the job. If I just focused on why people leave, I would conclude that he would be gone. On the other hand, I know that he has a very cohesive work group that thrives, as he does, on exciting business projects, of which there are many. There is a decent budget that allows him to provide training and development to his staff. He is very proud of his track record for developing good workers. In his case, these are very powerful motivators to stay. As a result, I am confident he will not leave soon. These motivators to stay are among those defined by the authors as links, fit, and cost.

The concept of links is the connection, both internal and external, to other people, groups, or organizations. Group solidarity can be an important variable. I can remember closing a facility. All the furniture was gone, and the doors had been closed for hours. I found three people sitting on wooden boxes in one of the empty offices discussing business and relaying mutual experiences. Their friendship and camaraderie were compelling.

Fit is also very important. How many times have we heard a recruiter say, "She will fit in nicely here," or, "I like him and so did the department manager," or, "We have great chemistry"? Chemistry or fit is not necessarily based on skills alone. The authors underscore the many aspects of fit with the job, company, and community. Finally, the authors suggest that people have to evaluate the costs of leaving a job. These can be personal as well as organizational. The author's concepts can be reflected in comments I have heard over the years: "I hate this place, but do not want to give up my stock option." "It is a great job, pays a lot more, but who needs the commute to New York?" "My wife's business is based in this town, and if I leave this area she will have to start over." The authors contend that knowing why people stay can be more predictive of actual turnover than just defining the reason people leave. In addition, they contend that the seeds of a good retention program do not blossom in response to a turnover crisis. Rather, it results from a careful analysis of the needs of the workforce on a continuing basis. Exit interviews, while useful, are not sufficient. An organization should continually survey its workforce through focus groups or surveys to determine the factors that cause people to stay.

In reviewing the research, I was concerned that, because the economy has declined, the article might not be timely. There are clearly more layoffs and fewer golden opportunities today than there have been in the recent past. I can remember, about a year ago, several individuals who, in one afternoon, received three unsolicited and lucrative job opportunities. However, they did not respond because they expected the next call to be an even better opportunity. The talk at professional organizations was about retention bonuses and allowing employees to bring their parrots to work. Today we hear of cutbacks, hiring freezes, increased employee share of benefit costs, and many cost-cutting practices. There is less talk about the war for talent. There are fewer job opportunities for people who are dissatisfied and want to leave.

However, even in the current environment of mass layoffs, companies are still contending with many recruitment challenges. As the mass of résumés grows because of layoffs, finding the best candidates will be more time consuming and costly. It is better to retain your best performers.

As the mass of résumés grows because of layoffs, finding the best candidates will be more time consuming and costly. It is better to retain your best performers.

Both physical turnover and emotional withdrawal (turn-off) must be dealt with in organizations. So how can an organization deal with either physical or emotional withdrawal? The authors propose that careful attention should be paid to the connections that employees have to people, activities, and life events, both on and off the job. Providing financial and nonfinancial incentives that fit these individual needs will in many situations positively impact retention as much as pay and good supervision. While this logic may be sound, there may be difficulties in applying solutions (e.g., day care may be very important to employees, but the employer might shy away from this area because of fears of cost or liability issues). In addition, some organizations have low regard for workforce research. There may also be the intense pressure placed on HR executives to apply financial incentives for retention. Many action-oriented executives see money as a quick solution. Numerous suggestions are given by the authors to help practitioners adopt the research discussed in the article quickly and easily. In addition to their suggestions, most HR executives will easily think of other techniques. This article will help business practitioners prioritize their efforts and develop strategies that will work when the economy rebounds and the war for talent resumes in earnest.

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