

## **Keeping Your Key Employees**

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Key employees are arguably an organization's most important asset. In many small and medium-sized businesses, a handful of people are typically so important that losing them can have significant financial and emotional consequences.

During the last three or four years, economic conditions have meant fewer options for anyone seeking employment "elsewhere." It has just seemed too risky to change employers, even for top-performing employees. This will change as the economy improves and the number of relatively safe opportunities increases.

So, how do you keep your key employees—who are usually your top performers—happy, engaged and loyal?

There is no single answer. If you want to retain key employees, you had better think about them as a diverse group. That is, a group of individuals with different motivational "levers." And, to make matters even more complicated, these different levers can change for any individual over time.

There are two ways to approach the task of keeping a group with different motivational levers all engaged and loyal. One way is to figure out what motivates every individual, provide whatever "it" is as an incentive, and keep track of when the incentive seems to be losing its luster.

For example, you may figure out that what motivates Jack is being an individual contributor, working on projects that he primarily tackles on his own. The ability to take on tasks he can accomplish without having to manage others is what appeals to Jack and allows him to demonstrate his competence. Jack may be an ideal and key employee until the day he becomes a father and anticipates all sorts of new expenses. At that point, the leverage of being an individual contributor is replaced by an interest in taking on managerial responsibility and the additional cash that comes with it.

A second way to keep key employees engaged is to offer multiple motivational levers simultaneously in a kind of motivational lever buffet. This method requires less assessment of individual motivating levers and anticipates that motivations change.

Fortunately, the universe of motivational levers is not that large. That makes it possible to offer options without losing sight of your primary business responsibilities.

For most of us, the primary motivators are: money and a positive sense of self.

Money is a motivating lever with many different forms. It can be offered as direct compensation, as medical and dental benefits, as profit sharing, as stock options, as deferred compensation, etc.

One of the cleverest ways to defer compensation is to set money aside for performance bonuses into a nonqualified benefit plan that only vests after a set number of years (usually three to six). This provides a significant financial incentive to key employees to stay and does so without the ownership (equity) dilution common to other long-term compensation plans. For business owners who already pay or plan to pay cash bonuses, this is a “golden handcuffs” strategy for retaining key employees.

A positive sense of self for a key employee can be developed and maintained by designing a work environment with the following features:

1. Clear values - if the values of an organization and an employee are different, it's only a matter of time before dissatisfaction by one or both parties takes hold.
2. Role opportunity (the fit between interest and role)
  - a. for those interested in leading (directing and influencing others)
  - b. for those motivated to take on challenges and accomplish tasks for those who take satisfaction from being part of a team effort
3. Appreciation - a steady diet of tangible (celebrations, time away from work, etc.) and intangible (praise) appreciation for leadership, teamwork and accomplishments.
4. Growth opportunity - all key employees and top performers are looking for ways to challenge themselves and grow. These growth opportunities can come in the form of training and development for better performance in an existing role or development efforts for a role with greater responsibilities.

Other features of the work environment can contribute to a positive sense of self among key employees, including clear expectations, regular communication with superiors, effective strategies for managing conflict, and flexible work hours.

What all these features have in common is that they value the effort of a key employee and provide a means for those efforts to be effective. Compare these features, when in place, with the conditions in organizations with high turnover. According to Gallup research, organizations with high turnover have five features in common: 1) managers who do not specify expectations, provide resources or create opportunities for growth; 2) a poor fit between person and role; 3) co-workers who are not committed to the same

quality of work (values); 4) perceived deficits in compensation and benefits; and 5) a poor connection to the management or mission of the organization. In other words, the kind of behavior on the opposite end of the spectrum from valuing the contributions of an employee.

Having a strategy for keeping key employees is the norm rather than the exception in most companies. Having multi-faceted strategies is not the norm, however. Many see compensation and benefits as the only levers available. Other, arguably more compelling, levers exist that address the positive sense of self that everyone needs. It is these other levers that forward-looking companies will use to keep their key employees, and to keep them working hard.