

# Building Competitive Advantage with Contemporary Retention Strategies

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## Summary

This is not an article about the latest employee retention fads and fashions. It is about practical strategies for lasting success in any setting. These fundamentals are timeless and seemingly forever young. Enlightened employers strive to create overall positive working environments that attract and retain talented contributors. Although turnover cannot be eliminated, it can be tamed. This is a critical issue that must be addressed, since any loss of valuable human capital weakens an organization's competitive advantage. The benchmarked organization discussed here illustrates a successful approach to employee retention in a difficult business environment. Other alternatives that may serve to enhance fundamentals elsewhere are also listed. In the end, leadership makes all the difference!

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Attracting and retaining talented employees for a going concern ranks among the single biggest issues facing domestic and international businesses today (Alati, 2004). The loss of talented contributors lessens the value of an organization's human capital and weakens its competitive advantage.

The retention challenge can be overwhelming. One study claims that 75 percent of employees are actively or passively looking for jobs right now (Cohen, 2005). Apparently, they are finding them, too. Turnover rates are on the rise and currently average 19.3 percent overall (Institute of Management and Administration, 2005c). Clearly, the turnover problem is not going away. However, it can be tamed.

No quick applications provide lasting solutions. It is about a comprehensive approach to creating the kind of workplace in which talented people want to be for a

long time. Whether an organization is an employer of choice capable of hiring and keeping talented individuals turns on a combination of the qualitative and quantitative aspects of the entire employment relationship. Good feelings about the kind of work being done, and who it is being done with, are essential.

Some concepts discussed herein are common to all cases. Others may depend on the situation. All of them are worthy of consideration in the quest for competitive advantage.

## **Talking Trash About Retention**

The decision to benchmark a garbage company to illustrate successful applications of retention strategies may initially raise a few eyebrows. But once you consider that these strategies are actually working in an unattractive industrial environment, it is easier to see why Republic Services was selected. In other words, if it works there, it can work anywhere!

Republic Services, Inc., is based in Ft. Lauderdale, Florida. Since its original listing on the New York Stock Exchange (RSG) in July 1998, its annual revenues have grown to nearly \$3 billion, and it boasts the strongest balance sheet in the industry. Its team of 13,400 employees proudly provides solid waste collection and disposal services in eighty markets across the nation.

In 2004, Republic was recognized by *Forbes* as one of the "Best Managed Companies in America." More recently, its chief executive officer and chief financial officer were listed as being among America's very best at their craft (Shank, 2005a, 2005b). The following discussion will show how this kind of strong leadership makes all the difference!

The company's overall turnover rate hovers in the 14 percent to 17 percent range. Most of that is attributed to churning in unskilled non-exempt positions. The turnover rate in administrative and exempt classifications is considerably less.

Reducing the turnover rate to zero is unrealistic and undesirable. Not all turnover is bad (Hanson, 2005). It is recognized that organizations outgrow people, and people outgrow organizations. If one's talents are not a fit, one is quickly managed out of the organization. The company focuses its attention on retaining talented contributors. It believes that the high quality of its people gives it a distinct competitive advantage in an industry in which everyone provides *similar* services, from *similar* facilities, in *similar* markets, to *similar* customers, with *similar* equipment, at *similar* prices.

## **Pride Still Matters**

From the outset, keep in mind that the lion's share of available work in the solid waste disposal and collection services sector are jobs that third-grade teachers tell students they will get if they do not study harder in school! Nevertheless, internal employee surveys conducted annually at Republic consistently yield an over 86 percent favorable rating regarding a positive view of their work.

The company's survey-related feedback sessions also reveal a strong sense of pride in providing essential services in the communities in which they live. That kind of positive outlook toward any job is a key ingredient in the retention equation (Chang, 2004). An entrepreneurial spirit is encouraged around each task, many of which are performed in the field without close supervision. Recognizing the daily accomplishment of hard work, in any weather, by committed professionals in highly technical and unforgiving equipment, builds individual and organizational pride.

Pride in the waste industry and references to the company's distinguished heritage are trumpeted every day. Stories of great entrepreneurs like H. Wayne Huizenga, who got his start as a garbage man, are shared with everyone. In addition, the company's leading role in environmental protection is fully explained. Its eagerness to rush to the fore to assist with the clean-up of natural disasters is also highlighted, as is its strong commitment to a total safety culture. As a company that truly cares, it has earned its strong reputation in the waste industry. Moreover, the employees are proud to know that they are valued members of a winning team.

Republic's good reputation is built on a foundation of integrity. It wants its entire workforce to have trust and confidence in the place they choose to make their living. That alone is a competitive advantage in the war for talent retention.

## **Apply Organizational Values to the Selection Process**

Successful retention strategies begin with hiring the right people (Powell, 2004). If you do not get this step right, you spend the rest of the employment relationship trying to make up for the mistake. It does not matter if you have the best training programs, great rewards, or the most motivational leaders (Roberts, 2005). There is no easy fix for botched hiring decisions. Due diligence at this early phase will increase the probability of employee retention down the road.

Republic's hiring process begins with self-examination on the curb in front of its facilities. From there, it looks back and asks a pivotal question: "Is this a place that

someone would recommend to a best friend or a loved one to work?" They congratulate themselves if the answer is, "yes." If not, there is still much work to do!

A mechanical application of a well-designed administrative hiring process is unproductive unless it finds personal and organizational values between the candidate and the company to be congruent. Regardless of the strength or weaknesses of applicant flow, organizational values must *never* be compromised.

At Republic, core values include integrity, commitment, efficiency, compliance, safety, customer service, and respect. Those who do not share these values will find participation in its working environment to be uncomfortable. Accordingly, in order to assess the candidate's alignment, interviews deliberately center on these expectations.

Leader-managers are urged to slow down and resist the immediate pressures of the day to fill vacancies with people who do not meet the company's high standards. To do otherwise risks hiring an uncommitted employee who simply continues his or her job search while luxuriating on an active payroll. Moreover, the frustrations associated with any gap in shared values will increase the likelihood of mushrooming into distracting disputes.

It is also important to realistically describe job content to explore both parties' needs and interests. Be honest! Multiple interviews and facility tours should always allow open opportunities for candid questions. Listen for indications of a mismatch. For example, a candidate who does not share the company's strong interest in financial integrity would not be a fit. Nor would one who placed productivity ahead of safety. Prior jobs and skills may not necessarily be dispositive of the hiring decision. If a capable candidate shares the company's values and has a positive attitude, it can teach him the business!

A comprehensive orientation process immediately following initial selection of the candidate is also recommended. This provides an opportunity to go into more depth about company values, mutual expectations, and the shared responsibilities in bringing them to life. During these sessions, leaders should stay alert for any indication of a candidate's insensitivity toward the job. Do not hesitate to correct a hiring mistake. In this regard, further training or termination may be appropriate.

Successful completion of the orientation process may be followed by a ninety-day assessment period. This is another chance to verify the validity of the hiring decision. Performance should be measured against the exercise of core values. Frequent evaluations will help ensure the probability of retention. Only those who demonstrate an ongoing willingness to contribute should be invited to stay.

Finally, deliver the promise of fair compensation, a respectful workplace, a "voice," and an opportunity to fully exercise one's talents.

## **Communicate Compensation and Benefits**

All too often, the value of good pay and benefits is lost through poor communication. A recent study found that, among employers who offer rich benefits but have poor communications strategies, the turnover rate is higher than in those companies with lesser packages and effective benefits communication (Institute of Management and Administration, 2005b). Misunderstandings like this result in “pay and benefits” often being cited as one of the primary reasons people quit their jobs (Befus, 2004). No amount of pay and benefits will keep people doing something they do not like.

Anyone who thinks that the responsibility for communicating wages and benefits lies solely with the human resources department is mistaken! Communication of wages and benefits is every leader’s personal responsibility, and the degree to which it is neglected will correlate with adverse retention statistics.

For example, organizations that have well-designed pay-for-performance plans erase their advantage if participants have no idea how to succeed. That lack of understanding breeds distrust. This is particularly so if the employee’s direct supervisor is unable to explain or nonchalant about explaining the calculations. At Republic, this scenario would constitute a breach of some core values, namely integrity and respect. When these values are breached, corrective action quickly follows to avoid future lapses. Companies that are serious about retaining talented contributors find no room for misunderstandings about compensation.

Nor can subjective internal pay disparities be allowed. These will only bring allegations of favoritism, undermine supervision, and tear apart the fabric of any workforce. Turnover will follow.

Competence in responding to compensation and benefit questions enhances the leader-follower relationship, which, in turn, improves the likelihood of retention. It would be unfortunate indeed if a valued employee sought other employment under the mistaken belief that the new employer had a better deal.

## **Create a Positive Work Environment**

An undeniable link exists between turnover and indicators of positive work environments (Carlson, 2005; Rauch, 2004). Republic wants every employee to know that the company is glad they are there and that their efforts are appreciated. Solid waste collection and disposal is not a pretty business. Employees see, smell, and sometimes wear their work all day. They are required to get the job done in cold, wet, or hot weather, and even on holidays. Long hours are expected. Yet, in response to annual surveys, the overwhelming majority of participants respond that they would not have it any other way.

If the effective execution of basic employee relations strategies can overcome a rugged industrial atmosphere like the one at Republic, then it can work anywhere! Fads, gimmicks, and bonus programs aimed solely at employee retention will be short-lived and lack credibility if the organization does not demonstrate its grasp of fundamentally sound employee relations strategies.

Don't underestimate the power of a cheerful morning greeting or a sincere "thank you" at the end of the day. In this regard, conscientious efforts to include everyone must be made. There is an unfortunate tendency to focus on either "superstars" or problem players. The others, who constitute the larger constituency and just do their jobs reliably each day, are taken for granted (Institute of Management and Administration, 2005a). If they continue to feel disconnected to the organization, they will seek, and probably find, an employer who will show them an appropriate level of inclusion and appreciation.

Recognition and rewards should be something meaningful to the recipients. If you don't know exactly what that is, ask them! Celebrations of success can be as simple as a "high five," a congratulatory note sent to someone's home, or public acknowledgment. Other kinds of rewards must be aligned with the person's needs and desires if they are to be effective.

By all means, give employees a voice in matters that affect them. Strong two-way communications build trust and confidence in the employment relationship, which boosts retention (Institute of Management and Administration, 2005c). Annual employee opinion surveys with a brief list of key questions can have a dramatic impact on opening lines of communication and expressing the company's interest in the opinions of its employees. This is particularly so where meaningful feedback sessions are followed by real action plans designed with employee input. Accomplishments from the process should be well-publicized, and credit should be shared and celebrated by all to accentuate the value of the process and highlight joint efforts toward improvements. Feelings of ownership and belonging will grow among participating workforces, and so will retention.

Other avenues of expression at Republic are its "Speak Up!" and "Alert Line" channels. Both provide formal opportunities for any employee to submit comments or suggestions to senior management and be assured of a timely response. Questions about compliance issues are handled on a 24/7 priority basis. Of course, any form of retaliation for exercising these tools is strictly prohibited.

Regular operational meetings and structured individual interactions to discuss performance with leaders are a part of the culture at Republic. An employee assistance program is also an essential part of the mix to show an organizational interest in balanced lives.

The idea is to make employees feel like they are an important part of a winning team and winners in their own right. Let them know that you are proud of them. Keep them engaged and apprised on things. Remember to listen. Have some fun!

## **Accelerate Skills Training and Leadership Development**

In our warp-speed economy, learning cannot wait! When capable people are engaged the right way, good things happen. One study found that training not only improved organizational performance (and competitive advantage), but it also increased the likelihood of employee retention (Gurchiek, 2005).

Training and development opportunities are highly valued commodities in today's workplace (Grensing-Pophal, 2002). Opportunities to grow professionally and financially do satisfy some human needs. Not everyone seeks organizational advancement. But others revel in it. Both types need attention—the first to remain successful in their static position and the other to realize that dreams can be fulfilled within the company. If that light grows dim, so will the likelihood of retention.

Leadership development represents a critical juncture in sustaining the employment relationship. Some would argue that it is *the* most important element in the retention recipe (Institute of Management and Administration, 2005c). Turnover is often an indicator of weak supervision. "People quit managers, not companies," claimed one CEO (Johnson, 2004).

Accordingly, Republic's employee survey process gives more weight to this dimension than to any other. The same is true for its exit interview procedures. Supervisors are expected to be tough-minded managers, emotionally intelligent leaders, and nurturing coaches, while effectuating the organization's core values. Training for supervisors must always be provided to show the way.

Retention opportunities accompany increases in the value of human capital afforded by proper training. Sure, stories are told about organizations that have made considerable investments in employee training only to lose some participants afterward. Frankly, it is much better to wrestle with that occasional issue than to be strapped with an inadequate workforce. Declining values in human capital will eventually leak competitive advantage.

## **Other Retention Tactics That May Work Elsewhere**

The foregoing employee retention strategies are certainly not exhaustive. Listed below are some more examples that are worthy of consideration and may be successful under other circumstances. For example, telecommuting, flextime, and job sharing

may be best where employees with young families deal with work/life balancing issues. Competitive work environments find bonuses and long-term compensation systems useful to retain valued contributors. Each must be considered in view of the facts surrounding the particular case.

Telecommuting

Tuition reimbursement

Advanced education

Flextime

Club memberships

Bonuses

Time off

Concierge services

Bill payment services

Catalog awards

Relocation assistance

Employee stock purchase plans

Child care services

Travel discounts

Professional conferences

Incentive compensation systems

Work/life balance programs

Financial planning assistance

Job sharing

Wellness resources

## Conclusion

Turnover is an unforgiving organizational demon with a lot of stamina. When it launches its stealthy attacks, productivity declines, quality suffers, customer loyalty is strained, costs increase, profits decline, and competitive advantage slips. Enlightened employers will stay vigilant against the siege by always exercising contemporary retention strategies that address the needs and interests of their particular workforce. Those who wait to feel the pain before acting may be too late. Competitive advantage can depart without notice long before.

When it comes to contemporary employee retention strategies, past is prologue. In the end, leadership makes all the difference!

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