

Employee Benefits

Companies Using More Inventive 'Carrots' to Retain Top Employees

By Pam Baker

Cash and health benefits used to be enough to hook good employees. But how effective is this bait alone when the talent pool has all but gone dry?

"The current unemployment level (4% nationally) is below the percentage of people in the U.S. with a criminal record," says Phil Merdinger, a principal in William M. Mercer Inc.'s Atlanta office. Mercer is one of the world's largest consulting firms, specializing in employee benefits and human resources strategic planning.

"Scary thought, isn't it?" he says. "That's full employment. You just can't find the bodies to do anything."

Realistically, employers have only two options: lure employees away from their current jobs or grow talent from within. Either option is likely to be costly and tie up company resources, with no guarantee that employees will feel tied to the company in return.

"Employees will jump ship for differences that are not really significant, but are merely perceived to be," says Merdinger.

The answer to this two-fold dilemma — a shortage of workers and a lack of employee loyalty — is to build employee commitment through a well-defined company culture that translates to the individual level. So say gurus at Mercer and competitor AON Consulting, one of the top employee benefits and human resources consulting firms in the world.

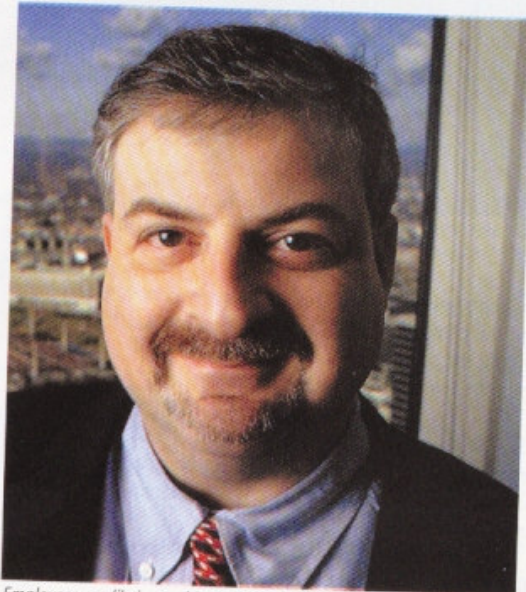
Unfortunately, that's easier said than done. Large companies face a logistical nightmare in trying to treat a work force the size of a small army on a personal level. Smaller companies may be on a first-name basis with their people, but often do not have the resources to deliver all the goodies American workers have come to expect.

The result: Workers move from smaller companies to large ones for better pay and benefits, while their counterparts move from larger companies to smaller ones for more personal recognition. Then they all move around again. These days, just about everyone is understaffed and turnover in many industries — especially high-tech businesses — is at an all-time high. The costs in terms of lost productivity and constant recruiting can be staggering.

"It's very hard when a company's future product is resting between the ears of a talented individual," says Helen

Mills, senior vice president of AON Consulting in Atlanta. "The loss of that individual could almost be incalculable."

Finding the right lure to attract and retain employees can be quite a challenge for companies more used to offering standard, across-the-board health plans and predictable, graduated pay increases.



Employees readily jump ship today, says consultant Phil Merdinger.

"Employers must offer incentives and benefits packages that distinguish them from the rest of the crowd," says Merdinger. "Just doing what everyone else is doing only puts you on an equal footing, at best."

And then there's the story of Bill Glover, CEO of Revenue Systems Inc. in Alpharetta, which starts out as a familiar tale of woe. The software development firm was — and still is — in a major growth mode and was finding it increasingly difficult to compete for talented staff with the 600-plus software firms in Atlanta alone, not to mention the thousands across the country.

To meet its burgeoning opportunities, the company paid



Helen Mills: Businesses today must market to their own employees, too.

headhunters \$15,000 to \$16,000 for every person they found and the company hired. Despite doling out some \$48,000 a month, the company was still getting only three new people a month, two short of the minimum needed.

Glover says he would have gladly paid the additional \$32,000 a month, for a staggering total of \$80,000 a month or nearly \$1 million, to get the folks he needed when he needed them. But as time passed, the company fell further and further behind in its staffing needs.

"No matter what we did in the way of recruiting, it just didn't work," says Glover.

In a truly inspirational moment, Glover decided to use the money he was paying headhunters to lease-purchase a BMW for each employee, and pay the taxes and insurance on it. Employees have a choice between a Z3 Roadster or a 323 Sedan, but either is custom-ordered to suit the employee.

The catch? "The car is yours, with no restrictions whatsoever, but if you leave the company, you leave the car," says Glover.

Before the first car arrived, he had attracted 21 new employees without paying the headhunter fee on any of them. He added seven more shortly thereafter, bringing his number of employees to 70. Total cost of the BMW program for all 70 employees is \$35,000 a month, this to both land sufficient numbers of new employees and keep old ones happy.

Beyond the cost savings, the company typically fills open-

ings within two weeks of announcement, an almost unheard of state of affairs in the highly competitive technology field.

It's hard to imagine a better retention tool.

"In the last two years, only one employee has left," says Glover. "It isn't the car, really, that gets them. It's the message we're sending about how we value our people."

Merdinger agrees.

"The BMW program was an extraordinarily clever idea that clearly stands out," says Merdinger. "Pay isn't the only thing that counts. It's the whole work experience. At the end of the day, people stay because they want to."

But it's also about more than morale. Cheerleading and backslapping alone aren't going to make a difference.

"There's strong employee commitment in companies that have a consistent message and then live up to that message," says Mills. "It's about creating a culture that's enticing and inviting, a comfortable place to be, and one that all the stakeholders feel there is a return on their investments of money, time and effort."

The golden rule in recruitment and retention has become the same as the one in marketing: Know thy audience. Both AON Consulting and William M. Mercer Inc. advise employers to poll their work force to find out what employees value and want from their jobs. Sometimes caring enough to ask is a significant factor in itself.

There are also benchmarks to guide employers on how to successfully compete for employees by addressing their needs. One such guide is the America @ Work Survey conducted annually by AON Consulting that specifically details commitment "drivers" among different age, gender and marital status groups as well as by industry. Studies by respected consulting firms like AON and Mercer are more current than information provided by the government or Chambers of Commerce, which generally run two years or more behind.

"Companies have to market to their employees as vigorously as they are marketing to their customers," says Mills. "It isn't uncommon to have PR and marketing people working on selling the company to the employees."

But such marketing must be nearly continuous to be effective.

"Companies often have a flurry of activity once, to communicate the benefits and the value of those benefits, and the employer's message," says Merdinger. "But it happens only once and then they stop. You need to remember this is a marathon, not a dash."

Naturally, it doesn't hurt to give a BMW to each employee. But 'it's not really the car,' says Glover. 'It's the message we're sending about how we value people.'