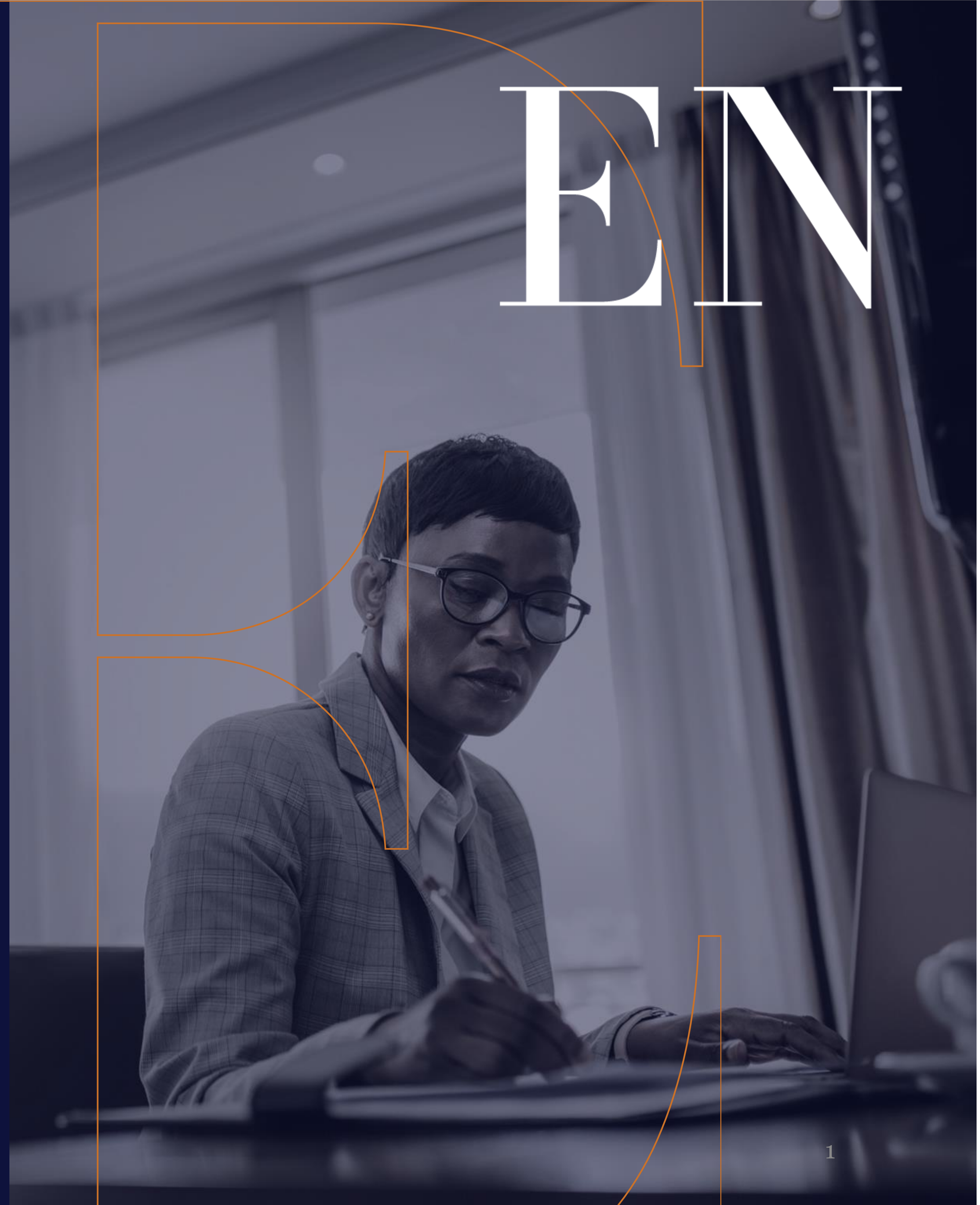
SHRM EXECUTIVE NETWORK

RECESSION-READY RETENTION STRATEGIES

November 2022 Insights Forum:
Executive Summary



RECESSION-READY RETENTION STRATEGIES

The combination of **high inflation** and a **hot labor market** tempts many workers to leave their positions for higher salaries elsewhere. At the same time, businesses are concerned about how they'll navigate potentially difficult business conditions in the year ahead. The **November EN: Insights Forum** focused on ways companies can enhance their **employee experience** to improve worker retention, even if they can't afford to pay workers more.

The session began with members getting a sneak peek at exclusive new SHRM research from Mark Smith, Ph.D., of SHRM Research and Jonathan Canger, Ph.D., of Zennia Research. The research looked at **common reasons** workers leave a position and how organizations are **budgeting** against those same issues.

Not surprisingly, **compensation** emerged as a top concern for **employee retention**, along with several other factors that normally would require organizations to spend more money. But the research found that some firms have found ways to address the issue *without increasing costs*. On top of that, several of the most common complaints involved issues where HR professionals said additional spending isn't required.

MONEY CHANGES EVERYTHING – OR DOES IT?

SHRM surveyed 1,500 HR professionals about their turnover issues, the frequency, and the budget issues involved in addressing turnover.

An additional six focus groups made up of **46 SHRM-SCP certified professionals** then discussed what companies can do to **address turnover**, focusing on solutions that didn't involve spending more money.

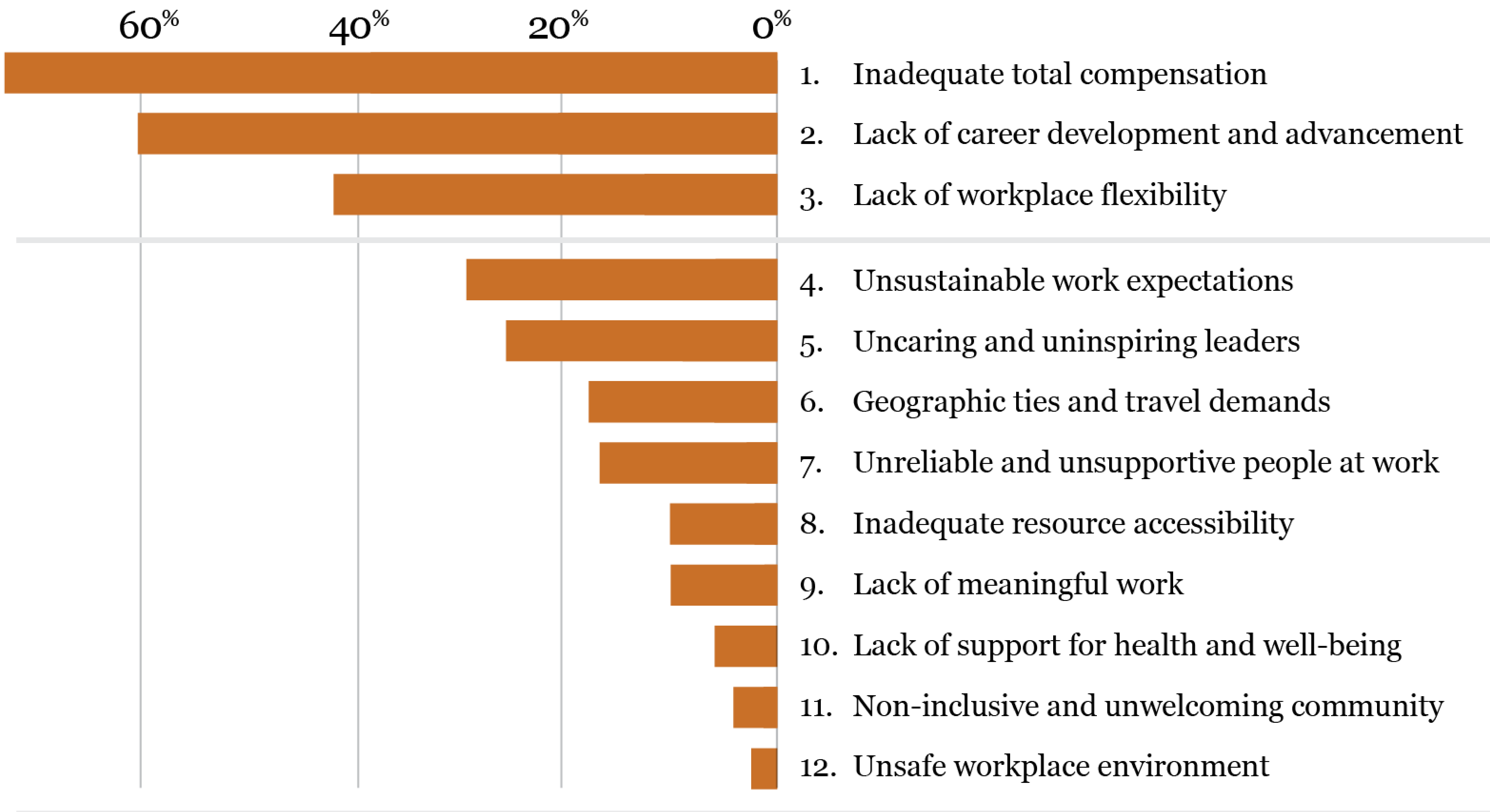
The survey asked HR professionals to rank **12 factors influencing turnover**, selecting the three most often affecting their organization. The three concerns most commonly cited won't surprise any HR professional working today:

1. INADEQUATE TOTAL COMPENSATION
2. LACK OF CAREER DEVELOPMENT AND ADVANCEMENT
3. LACK OF WORKPLACE FLEXIBILITY

An important consideration is that, while these issues can spur turnover, it's important to remember that these issues may also affect workers who choose not to leave their jobs, creating a negative employee experience.

"When we talk about reasons for turnover, it's not just why people have left," Smith said. "It's what are the things that are really negatively affecting the employee experience for people, even the folks who are staying."

MOST COMMON REASONS HR PROFESSIONALS CITE FOR EMPLOYEES LEAVING THEIR ORGANIZATION:



Figures indicate leaders identifying a factor as a top three reason for turnover.
Results weighted to be representative of all HR professionals in the United States

Chart: SHRM Research Institute • Source: 1,516 respondents to the SHRM Voice of Work Panel • Created with Datawrapper

MIND THE (BUDGET) GAPS:

When the researchers asked the survey participants to identify those issues that involved a significant gap between the size of the current HR budget and the cost of solutions, compensation wasn't the biggest shortfall. Instead, it was issues of **leadership**, **workload** and **advancement**. In the categories with the smallest budget gaps, HR leaders not only didn't need a larger budget but, in some cases, had more money budgeted than they needed.

BIGGEST BUDGET GAPS:

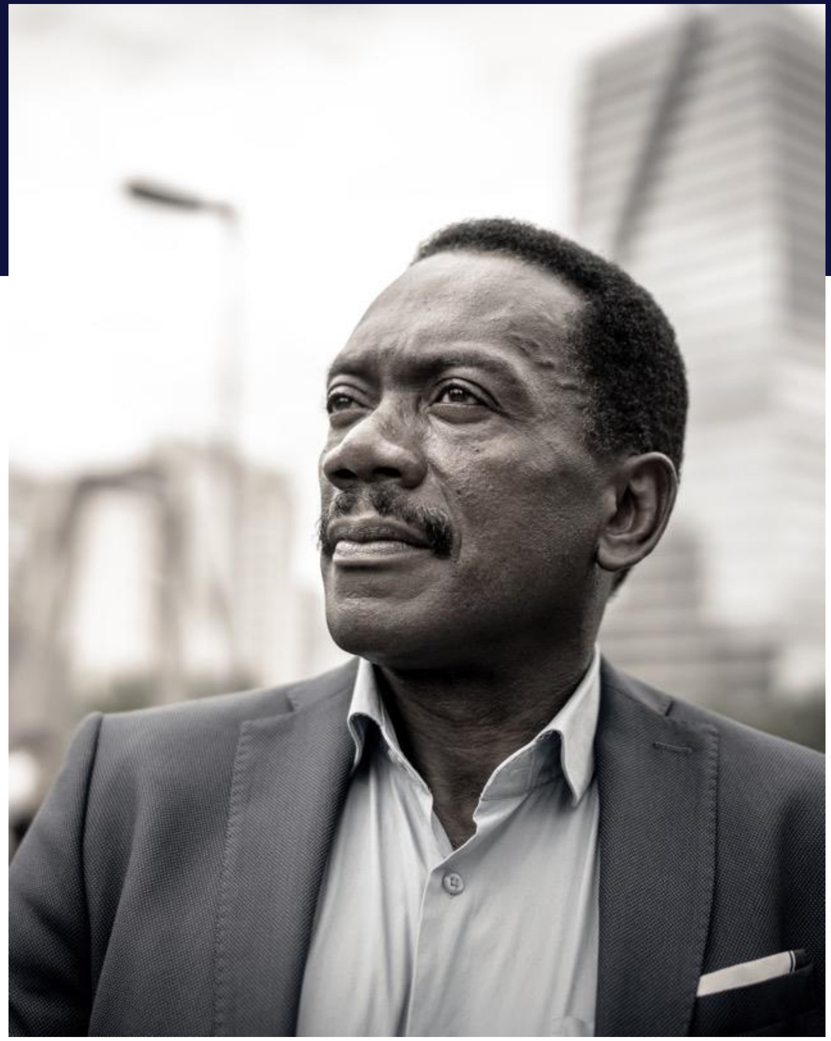
34% *Lack of career development and advancement*

22% *Unsustainable work expectations*

19% *Uncaring and uninspiring leaders*

"On the lack of workplace flexibility, there's no budget gap there," Smith said. "So, it doesn't cost a lot to deal with that. If it's not being addressed, it's not a budget issue; it's a 'something else' issue."

AFFORDABLE STRATEGIES FOR THE EXPENSIVE ISSUES, TOO:



But the issue of inadequate compensation can be more complex. Compensation discussions involve questions of **context**, **assumptions**, and **personal values**. Workers may value other benefits, additional **time off**, **flexible working arrangements** and other traits as part of their overall compensation evaluation. An organization that offers higher pay but lags in these other areas may still struggle to attract workers.

Ideas gathered from the research focus groups turned up several interesting options, according to Jonathan Canger, a veteran HR executive who worked with Smith on analyzing the findings.

INADEQUATE TOTAL COMPENSATION

Low- or no-cost recommendations

- Provide Total Rewards statements
- Increase pay transparency

With some additional investment

- Conduct a total rewards review

These strategies include the value of healthcare, matches on 401(k) plans, and other benefits. **Pay transparency** can mean posting pay policies, such as how much inflation is factored into raises or the organization's bench-marking methods.

LACK OF CAREER DEVELOPMENT AND ADVANCEMENT

Low- or no-cost recommendations

- Increase promotions from within
- Publicize career paths

With some additional investment

- Provide skills training for higher-level jobs

Promoting current workers, including posting job openings internally before externally, is one way to **highlight advancement**. Discussing potential **career moves** and sharing how current managers and leaders worked their way up makes advancement seem more attainable. **Skills training** emphasizes investment in employees and a commitment to helping them advance within the organization.

AFFORDABLE STRATEGIES cont.

LACK OF WORKPLACE FLEXIBILITY

Low- or no-cost recommendations

- Employ a one-to-one approach
- Consider remote work (for some)

With some additional investment

- Create functional home offices

Instead of broad policies, encourage managers to discuss with individual workers how the organization can **accommodate their needs** within existing operations. If you can make some investment, help remote workers with their **home office set-ups**, such as ergonomic chairs or a second PC monitor.

There is often a concern that a **flexible working policy** might create a situation when employees in certain roles can get some flexibility, but others can't get the same arrangement. This dynamic might creates an "us vs. them" atmosphere. To remain competitive, HR leaders need to be prepared to navigate around that issue.

"If you are not doing it for the people that you can do it for, someone else will," Canger said. "If you don't make these kinds of adjustments, you've got the potential for losing those people to someone else who's going to accommodate them."

STEVE BROWNE'S SPECIAL HR RECIPE: **'MAKE PIZZA, MAKE FRIENDS'**

One approach that doesn't involve spending more money can be found in making people feel good about what they do at work, where they work, and the people they're with when they work.

Those ideas came up in a follow-up discussion with Steve Browne, Chief People Officer for LaRosa's Inc., an Ohio-based regional pizzeria restaurant chain. Citing the company's **impressively low 2% turnover rate** for salaried workers, Browne discussed how **anchoring**, creating a **sense of belonging**, and **putting people first** can top money as the key consideration to keeping employees enthusiastically on the job.

There aren't a lot of restaurant chains that make it 70 years of history, but LaRosa's Pizzeria has not only lasted for decades but expanded through the Ohio region with 13 locations and more than 1,200 employees. Throughout that time, the company has taken a generational approach to staffing. The business emphasizes promoting from within so much that a former CEO started as a dishwasher.

DISCUSSION WITH STEVE BROWNE

In marketing, LaRosa's has focused on its product in the past, a natural starting point in the highly competitive food industry. When the post-pandemic staffing crisis hit, however, the marketing message changed.

"When we asked our team members, 'Why do you work here?' the answer was, 'I work here with my friends,' in many cases," said Steve Browne, Chief People Officer of LaRosa's Pizzeria said. *"So in order to capture our employer brand, instead of saying 'We need people,' the message was, 'Make pizza, make friends.' It was really well thought of by people, and we actually saw a big bump. So we're being more intentional about the people side of our employer brand now."*

Here are a few thought-provoking takeaways from Browne's discussion with EN members.

HR CHALLENGES IN THE POST-PANDEMIC WORK ENVIRONMENT

“The employee is choosing how they want to work…”

“For the first time in my career, we’ve seen a complete workforce shift. The employee is choosing how they want to work versus the employers saying, ‘This is what’s available.’ Employers are starting to pivot, trying to offer **different alternatives, hybrid work, remote work**, all kinds of different things.

“I wish HR professionals and the industry would quit arguing about location and **focus on performance** because that is a bigger draw. ‘Hey, you can come to my workplace, and this is what you can do, and this is how you can contribute.’ Give candidates that statement of, ‘**This is how you can add value to our company**’ to attract them as a team member. We keep focusing on where people are, and it’s a myth to think that because I’m in the office, I’m working. It’s an old way of thinking.”

PAY TRANSPARENCY MEANS EDUCATING PEOPLE ABOUT WHAT COMPENSATION REALLY MEANS

"People don't understand and lack context around compensation. So, before you talk about transparency, you need to teach people **what compensation means**, which can be the most highly volatile and emotional area of HR by far. Why does Mark make $20 an hour and John makes $21, and they do the same thing? So pay transparency has a catch to it.

"If you educate people on what compensation means, you help them understand why there are **differences**, and that the differences are **consistent** and **compliant** and that you look at pay equity and other factors. It's a bigger conversation. Most people want to say pay transparency means, 'How much does Steve make?' That's not compensation. You need to know your culture and how it works and then **teach the bigger picture** and educate from there."

FORGET ABOUT 'EMPLOYEE ENGAGEMENT' AND START THINKING ABOUT 'ANCHORING'

"We're trying to give somebody an anchor, that you have a job here, you matter, and what you do is valued. We have a 2% turnover with our salaried staff, and that's normal. We celebrate 20-, 25-, 30- and 40-year anniversaries when that doesn't happen much anymore. We've had many conversations with people who could make more, have a bigger role, and they choose to stay here instead because our culture is that strong.

"I'm trying to teach our organization to care for the person for their life cycle. **Attract me** to come in, **value me** when I start, **make it great** while I'm here and **welcome me** when I leave. If you can do that kind of stuff, then turnover happens the way it should.

*"How we measure engagement is this, are they **anchored** and do they have a relationship with the people that they work with? I don't believe there are silos in workforces. I think there are people who refuse to have relationships. If you force relationships to happen on a regular basis at all levels, you get engagement.*

"Anchoring is people staying. When I ask people why do you stay at LaRosa's, their first answer is, 'I love it here.' I told my boss, 'If I hear people say they love it here one more time, I'm gonna punch somebody.' Because everybody can't love it here, but I'm telling you, it's palpable. We have people who worked at our bakery stretching dough for 35 years. So, how do I measure anchoring? *You're willing to stretch dough for 35 years.* I think we got you."

THE NEW APPROACH: PUT PEOPLE BEFORE PERFORMANCE

"Our rule is this: *People plus processes equals performance*. All of our meetings have a **people component**, a **process component**, and a **performance component**. We try to have common threads in who we are and what we do while allowing people to be the unique, wonderful people they are in. We don't try and change people. We try and say, 'Here's the common stuff. How do you plug into that?'

"The difference is that most companies are performance first, results first." Here's an example: I was in an executive meeting five years ago, and somebody said, 'Hey, we're up year-over-year selling calzones. And everybody in the audience went, 'Awesome! That's great, that's great!' But as the people guy, I had to ask, 'How many did we sell? Where did we sell them? Was it one store that drove this, or was it a set of stores? Was it a certain franchise owner or somebody else?'

"And the response was, 'What are you talking about? We're up year-over-year.' I said, 'That's senseless. What's driving people to buy more calzones in these stores?' And it changed how we thought. So, we quit doing results-first meetings. We do people-first meetings.

*"**Here's the fact.** During Covid we suddenly realized people matter. People have always mattered. Companies have to be **people first**. We have to own it from our seat as CPOs and CHROs, then equip people through processes and watch what the performance is."*

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