

THE PARADOX OF

Temporary Loyalty

Leading organizations are taking innovative steps to harness the incredible potential of a fully engaged workforce.

By Paul Dinan and
Marc Timmerman,
Axiom Consulting Partners

We work in a world where people's loyalty and commitment to each other have become temporary. Such a scenario impacts all types of organizations, regardless of size or location. Indeed, temporary loyalty has become a common worldwide theme; a Google search of the term "employee loyalty" yields more than 1.7 million results. The impact of temporary loyalty will influence most organizations' profitability, performance, customer satisfaction and, last but not least, employer brand and company reputation.

The good news is even though temporary loyalty exists, employees can still positively influence their organizations' success, first by following the lead of product marketers who use segmentation

schemes as the foundation of a deep understanding of their audience and second by engaging employees in ways that they value most.

The Shift to Temporary Loyalty

Consider how loyalty has changed over the years. Among the Veteran generation people remained with the same employer for many years, often for their entire working lives. Loyalty was a common thread and an unspoken value that offered security and emotional stability. The psychological contract between employers and Baby Boomers and Generation X employees has been reduced to something far more temporary. Believing that the expectations of the other party are set in stone and will remain

unchanged is a certain recipe for destroying positive engagement, and often results in the employment relationship ending prematurely.

Anyone who leads a group of people — particularly one with a broad base of younger co-workers — recognizes that the need for individual differentiation has increased significantly. Employees expect an individual rewards package and individual career plans, and a personal mentor who protects them and who shares his/her network with them. They expect personal advice on their professional progress, ideas and assignments, with a frequency that can go from monthly to weekly.

It is a longstanding HR policy that we should not make any distinctions among the total talent pool but rather treat everyone with the same fairness or as if they were all the same. However, there is

size fits all” no longer fits in a world of temporary loyalty.

Know Thy Customer, Know Thy People

Let’s use BMW as an example. For many years its segmentation was based around retaining brand appeal as consumers grew older and their requirements changed. Younger BMW buyers would opt for a 3 Series, then graduate to a 5 Series when they started a family, and then maybe one day achieve the ultimate executive status symbol of a 7 Series. Today, BMW’s offerings are far more sophisticated, integrating lifestyle, demographics, geographic location and personal tastes. With 11 core models, each with derivatives like their “M” sport versions and multiple options, it could almost be said that no two BMW cars are alike — just like their customers.

customer value proposition for each segment, all encompassed within one overall value proposition. While BMW offers cars for wannabe racing drivers and moms on the run, the common thread is that BMWs are “the ultimate driving machine.” Translated into HR or talent management terms, this could mean that we underpin an employer brand with multiple distinct employee value propositions. This approach steps away from one archetypal “carrot and stick” model to multiple propositions, and allows people to change in time from one psychological contract to another inside the same company.

Approach Segmentation Thoughtfully and with Care

When thinking about segmentation at your organization, look at the facts and analyze carefully. Relying on old assumptions could lead to

discriminatory practices. For example, work-life balance policies are commonly viewed as a way to increase or retain the number of women in the organization. Yet in their book “The Corporate Lattice,” Cathleen Benko and Molly Anderson report that 70 percent of U.S. Baby Boomers and 92 percent of Generation Y cite work-life balance as a top priority, regardless of gender. The key

is to build fact-based rather than opinion-based employee segments before crafting value propositions that will resonate with each group.

For the book “High Potentials: The Competitive Edge within Your Organization,” authors Marc Timmerman and Charlotte Sabbe conducted significant research on best practices in attracting, developing and retaining high-potential employees. One key finding was that there are actually distinct groups within the high potential category, each with distinct needs.

We need to start thinking like our counterparts in marketing

who recognize that the old axiom “*one size fits all*” no longer fits.

significant evidence that this is no longer the most effective way of sustaining a strong psychological contract with each employee. We should not treat people as clones or as anonymous “human resources” when they see themselves as Jack, Katie or Sergye. Instead, we should acknowledge and maximize the use of individual differences under the condition that everyone is treated fairly, correctly and objectively. We need to start thinking like our counterparts in marketing who recognize that the old axiom “one

This is the way we should think about appealing to employees from an HR and talent management perspective. We need to acknowledge that they remain individuals with changing needs and expectations, which we must respond to as well as possible if we want to maintain their loyalty.

Some might question how to establish a personalized approach when there are large groups of employees that can number in the thousands. A marketer would segment them into smaller groups and have a

High-value specialists normally prefer a stable and harmonious environment, clear job objectives and a strong investment in their ongoing development. They typically value social atmosphere and their professional development more than their salary. Conversely, high performers value the rewards package first and foremost, specifically the variable part or bonus schemes that underline the personal recognition from the company for their overachievements. High potentials and future leaders value most highly investments in their personal career development, personal attention from the leadership team, and support from and insight by other leaders for climbing the ranks of the organization.

Simply put, a diagnosis and specific segmentation of your talent population is a critical step. You need to list employees' explicit and implicit expectations, their needs, their aspirations, and changes in their expectations and commitments, as well as in which stages they occur. By doing so, you can create a group of employee value propositions that are underpinned by your employer value proposition and, finally, by your employer brand.

When thinking about how to craft and align these various elements, it helps to work closely with marketing and communication colleagues. They can help human resources develop and communicate a clear and compelling message that resonates with each target audience. Be sure to set clear rules around ownership boundaries and decision rights, as there may be increasingly heated debates about ownership of the employer brand, especially once it's fully recognized by leaders as a powerful strategic and operational tool.

Engagement Version 3.0

In addition to segmentation, engagement is also important in improving employee loyalty. With the enormous improvements in pay, benefits and

working conditions that most professionals have benefited from during the past 30 years, deficiency needs are well taken care of, and growth needs become our principal focus. We have a need to participate, to be recognized, to be creative, and to experience a sense of worth and belonging. Borrowing from Gregg Easterbrook, author of "The Progress Paradox: How Life Gets Better While People Feel Worse," "predicting transition from 'material want' is not to say that people will cease caring about material things; it is a prediction that millions will expect both pleasant living standards and a broad sense that their lives have purpose." Engagement is the means to help employees embrace a self-satisfying sense of purpose.

Introducing meaning to their employees' lives sounds like a daunting task. However, the business case for investing in hearts and minds is considerable. In fact, according to Dr. John Meyer and Dr. Natalie Allen, professors at the University of Western Ontario and authors of "Commitment in the Workplace: Theory, Research, and Application," increasing commitment among employees has been shown to increase productivity, and committed employees are more likely to remain with the organization for a considerable period of time. The latter is especially important given that the costs associated with employee turnover range anywhere from 50 percent to 10 times an employee's annualized compensation, according to many studies.

Note that in many organizations, engagement and retention are still too singularly linked to financial compensation. The focus needs to be far more broad-based — on the growth needs mentioned previously — and individually relevant — acknowledging that each employee has his or her own specific needs. For example, people working in emerging economies often highly prioritize financial compensation, and in particular the regularity of wage

increases, to counter raging inflation. Any letdowns in this area will typically destabilize the psychological contract and result in new hires leaving the company within the first six to 18 months. As a middle class takes shape, and a new upper class is established, employers in these upwardly mobile emerging countries will have to continue to adapt, investigating reward strategies that keep pace with market transitions.

A Winning Game Plan

Of critical importance in trying to strengthen employee loyalty is understanding that the factors that trigger unhappiness at work are not the inverse of those that drive engagement. In fact, a 2008 study in Australia and New Zealand by The Hudson Highland Group Inc. suggests that while people ultimately leave for money, their relationship with their manager and the company culture are far more important than pay in determining job satisfaction. So while there is no magic wand, there are several recurring themes behind the most successful initiatives, regardless of the organization or industry:

- **Ensure skin in the game:** Salary rarely has a significantly positive effect on performance, because it quickly becomes an entitlement. Financial ownership opportunities, such as company shares or profit sharing, or nonfinancial methods like empowering people with increased responsibility or decision latitude prove far more meaningful for most people.
- **Provide clarity of purpose:** People need to know where they're going, or where you're bringing them. Translating strategy into a compelling vision and high-level strategic objectives where people can fill in the details themselves is a solid formula to achieve this. The late U.S. President John F. Kennedy energized a nation with his call to "put a man on the moon before this decade is out." Rather than demotivating people with a seemingly

People will grow most from doing things they enjoy and are good at,

and that means carefully matching people with jobs and projects.

impossible task, Kennedy recognized people's desire to "reach for the stars" and overcome challenges.

- **Wage war on red tape:** Bureaucratic processes, ineffective systems and decision-making bottlenecks tie people up in knots on a daily basis, and are serious inhibitors of both motivation and organizational performance. Removing such obstacles is one of the best ways to improve both.
- **Practice what you preach:** Leaders must live by the values and operating principles of the company and show it in their daily behavior. Consider Pixar Animation Studios, the creative force behind popular movies including "Toy Story" and "Cars." Pixar prides itself on a "down-to-earth atmosphere, cultivated by an enthusiastic, tireless, yet super fun group ..." The company's operating principles are easy to understand and appeal to the high-value specialists that are so essential to Pixar's success. Just as important, those operating principles are consistent over time, which helps ensure that leadership can speak and act in ways that keep everyone aligned with the company's strategy.
- **Create growth opportunities:** Career development, professional development, personal development and training are all very important. Ultimately, however, people will grow most from doing things they enjoy and are good at, and that means carefully matching people with jobs and projects. Think of the parallels in sports and the arts, where nobody reaches the top without continually honing their strengths.
- **Cultivate an employer brand:** People like to talk with family and friends with pride about their job. Although the right employer brand depends on multiple factors, many organizations save countless millions in attraction, retention and compensation by cultivating a powerful employer brand. For example, technology giants Microsoft Corp. and Google Inc. reinforce their need for extremely smart employees by deploying billboard campaigns with complex equations and geeky jokes.

■ **Provide value through flexible options:** The employer brand in turn should be built on several employee value propositions, each one of them targeting key talent segments inside and outside the organization. The companies of the future are those that offer multiple options in the field of career-life balance and can remain an attractive place to work to a diverse group of talent as they grow, change and realize their own potential. Special assignments, flexible career speeds and mentoring offer the opportunity to learn and contribute in new ways and are just some tactics to provide value that keeps employees engaged.

■ **Develop strong and adaptable leadership:** None of the other solutions will happen without strong leadership that can adapt itself to the shifting needs of its talent. Complete support at the highest levels of leadership is necessary in words and deeds, as are excellent communication and interpersonal skills among all people managers. Start here, or reconsider whether you should start at all. The former chairman of IBM, Thomas J. Watson Jr., was right when he said: "I believe the real difference between success and failure in a corporation can be very often traced to the question of how well the organization brings out the great energies and talents of its people."

Conclusion

Today's workforce is characterized by temporary loyalty. That attitude is driven in large part by a myriad of expectations of what personal needs employers should satisfy. A new workforce of highly educated and mobile individuals brings with it increased and vastly different expectations of what personal needs employers should satisfy. Rather than seeing this as a negative, the leading organizations of tomorrow will be fully in tune with this new paradigm, and are already taking strenuous and innovative steps to harness the incredible potential of a fully engaged workforce of individuals, offering multiple employee value propositions and thus extending the employment life cycle of those who are critical to the business. **WS**

Paul Dinan is a partner at Axiom Consulting Partners in Dublin. He can be reached at pdinan@axiomcp.com.

Marc Timmerman is a partner at Axiom Consulting Partners in Brussels. He can be reached at mtimmerman@axiomcp.com.

resources plus

For more information, books and education related to this topic, log on to www.worldatwork.org and use any or all of these keywords:

- "High potentials"
- Employee loyalty
- Employee engagement.