

# **How to Keep Exceptional Executives**

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## **THE 10 KEYS TO EXECUTIVE RETENTION**

*As the comedian says: There's a fine line between fishing, and just standing on the shore looking like an idiot.*

*A professional fisherman can save you from humiliation. And if you want to get professional results when you're trying to retain key employees, ask a professional. No one knows more about what it takes to keep your key employees than someone who makes a living talking to them – an Executive Search Professional.*

*Executive Recruiters, Executive Search Professionals or "Headhunters", spend all of our time working and negotiating with client companies and key executives. We understand what it takes to attract quality executives AND what it takes to keep them.*

*Why am I sharing my insights? Because like most professionals I prefer to work with well-managed companies that take care of their people. Where it's easier to attract top quality executives and my business relationships are more likely to be successful and long-lasting. Satisfied clients are my best advertising and if I can help you now, some day you may just hire me to help you grow your company.*

*Essentially, there are ten keys to keeping Key Performers and attracting others in the future. All ten are derived from the following three fundamental management principles:*

- I Challenge;*
- II Communication; and*
- III Compensation.*

# I Challenge

## **A stimulating and challenging environment provides the first three keys:**

1. VISION AND GOAL SETTING AT THE TOP
2. EXPECTATION OF EXECUTIVE EXCELLENCE
3. CREATIVE LICENSE.

### **1. VISION AND GOAL-SETTING - AT THE TOP**

Your Key-Executives want to know where they fit into the big picture and how they can position and plan for their own success. If your vision of their value isn't clear, they become easy targets for recruiters adapt at enticing them with propositions such as: "We know who you are and where you are headed now; but here's how you could fit into ABC Company's plan and here's what it could do for you."

The most effective tool for establishing and communicating a vision is goal-setting. While companies pay management consultants millions every year to help us take their employees through the exercises, 95% of all enterprises don't have firm goals and, of the 5% that do, only one in five bothers to write them down. What has really surprised me as I work throughout the world is that the percentage for companies which make theirs known is even lower. This is a major problem when it comes to retaining key executives.

Key executives -- generally loyal, hard-working, honest and ethical -- are driven by higher than normal levels of self-interest and the need to see a payoff. Your job is to help them see it. How? Communicate the company's goals, its vision, its' mission. Put performance goals in place, with a formal review process as part of the program to measure performance at realistic intervals. When executives' personal goals are tied to the company's mission and to the achievement of the organization's goals they feel connected and can gauge their own value contribution at any time. This makes it very difficult for an Executive Search Professional to woo them with the promise of "greater challenges".

### **2. YOUR EXPECTATIONS OF EXECUTIVE EXCELLENCE**

High energy high impact executives like to run with the business equivalents of a Gretzky or a Jordan. Healthy egos thrive in an environment that not only recognizes excellence but expects it. There is tremendous pride that goes with being associated with the best, with being recognized as a top performer. So make your company a magnet for exceptional employees. Earn a reputation for top level performance by expecting executive excellence. Others will want to join you and your current staff won't want to leave.

### **3. CREATIVE LICENSE**

A challenging environment offers not only the ego-satisfying satisfaction of reaching tough goals, but the spirit-building, competition-crunching exhilaration of finding new

ways to reach them. Sadly, the opportunity for creativity is not a part of most corporations.

Here's a scary statistic: surveying employees at all levels The Fordyce Letter -- a recruiting industry newsletter -- found that 75% said their bosses are generally negative when approached with suggestions or ideas.

Exceptional executives, those who know how to set goals and achieve them, want to contribute. They'll gravitate toward companies where their ideas are sought out and given serious consideration. I have a greeting card from Successories that sums this up quite nicely: "There's only two types of companies -- the quick -- and the dead." Creativity is often the difference.

## II Communicate

**Communication is the management tool that allows vision, expectation of excellence and creativity to become second nature to your company's success. It's the fuel that powers your Porsche. Good communication offers four more keys to retention:**

4. DIALOGUE, WITH ATTITUDE
5. POSITIVE REINFORCEMENT
6. NO-FAULT ADAPTATION
7. INVOLVEMENT IN DECISION-MAKING

### **4. DIALOGUE, WITH ATTITUDE**

Everyone's talking about is "communication", and there is a dizzying array of courses which stress communication via quality circles, TQM, empowerment, and team-building. Many of them have failed to live up to their promises, and so will many of those that are invented to replace them. Why?

Successful programs are not system-based, but rather based upon an attitude which allows two-way dialogue to exist and flourish. The days of one-way, top-down communication are over: businesses don't succeed that way anymore. Dialogue allows key executives to negotiate and agree on goals, rather than have them imposed. It gives them space to breathe and to contribute their portion to the vision -- to help define excellence in its best and most complete form. The best performers will go where they can be heard.

### **5. POSITIVE REINFORCEMENT**

As Ken Blanchard of *One Minute Manager* fame showed, positive reinforcement encourages repeated desirable performance. This is possibly the simplest part of any communication plan, yet without fail the main reason people change jobs is lack of recognition and positive reinforcement.

Attitude is the driver here -- the willingness and commitment to recognize performance. In "How to Win Friends and Influence People", Dale Carnegie explained that to get what you want out of life you need to ensure that others get what they want first **and** that people will do almost anything for someone who takes a sincere interest in them. Honest praise is better than a raise - financial incentives are very important, but a pat on the back is often more effective.

Recognition doesn't need to be restricted to exceptional performance. Most people at all levels work hard and truly want to perform well. Recognizing and appreciating their contribution is good business.

## 6. ADAPTATION

Key performers contribute a lot: education, brain power, experience, creativity and energy. They know they will be right more often than they are wrong and need an environment where they can fully use their talents and creativity. The problem is that not everything they try will work. So how do you create the environment which allows them to attack problems creatively while still focusing on performance? You give them and yourself room to adapt.

Define the parameters for the position and function, and give your executives enough room to succeed. Encourage creativity and innovation by rewarding the successes and not penalizing failures. Review the successes so you can build on them. Review the failures also - not to criticize, but to encourage. Sounds simple. It is, **but** many corporate leaders do the exact opposite. You have to walk the talk on this one.

## 7. INVOLVEMENT IN DECISION-MAKING

Top performers need involvement, and stay where they have a voice and a responsive ear. In *A Passion For Excellence*, Tom Peters calls this "ownership". Each of us likes to have a say in areas that impact our lives. Programs which promote total involvement -- team building, "TQM", empowerment -- are important to all levels in a corporation. With exceptional performers, however, it is mandatory that they be involved in key decision-making. If top performers aren't involved, they're gone.

# III Compensate

**In the "search business" money talks. We could argue, perhaps endlessly, about money's relative importance, but if their remuneration is not right your executives will start listening attentively to other proposals. If it is right, they'll still listen to others, but less attentively, and the risk/reward ratio will be significantly less attractive.**

Top executives whose remuneration is better than the norm will listen too, but it will probably take an earthquake to shake them loose. Therein lies an unwritten rule.

In the real world of compensation management if the money is insufficient you have no room for error in any of the other areas of retention. Money can be a highly effective

lever for prying executives loose. It won't generally be the only, or even the deciding factor, but it gets them to listen hard to the other components of an offer. As an executive's existing financial package gets better and better, it puts increasing pressure on any new deal to be not only better, but to be outstandingly better in the other areas (challenge, opportunity, visibility etc.), in order to balance the risk involved in making a change.

A good compensation program holds the final three keys for attracting and keeping the best executives:

8. EXCEEDING INDUSTRY NORMS
9. LONG TERM TIES
10. OVER THE TOP REWARDS

## **8. EXCEEDING INDUSTRY NORMS**

Few companies choose to exceed the market in base salaries for their key executives. Those that do usually also have better-than-industry plans in long term compensation and bonuses. These companies attract high quality executives who don't want to leave.

Consider each area individually -- there are opportunities to create a total compensation package that is balanced and effective yet maintains the integrity of existing salary structures. The key is balance. If you're weak in one area -- you need power somewhere else. Review your existing salary structure and compensation package and adapt where you can.

How do employees rank compensation elements? As motivators to remain, two areas rank high with employees -- salary and long term incentives. Three other areas -- short term incentives, benefits and perquisites are moderately important to them.

First look at your basic program, which includes base salary and benefits (including health, dental, optical, continuing education, vacation, etc.). Benefits have impact. Keep them level with your competition. Base salary programs should be at or preferably above those of the competition.

If you won't or can't be above the industry average, get the word out in the industry and let your executives know what you're doing to create balance in the overall compensation package. You have two options:

Option I

*Pay for performance:*

- a) with a lower base, but good short term and long term incentives for performance; or
- b) a lower base with a fast track for top performers-- more responsibility, experience and visibility.

The problem with this approach is that you'll probably become the training ground for the industry - your high performers will be picked off by companies who pay more while offering a fast track.

Option II

*Another approach is to seek long term relationships:*

- a) by a reasonable base with good stock or long-term incentives that could build estate value; or
- b) through good, consistent opportunity for growth -- financially and professionally.

The problem here is that high quality execs expect and get both the long-term incentives and a higher base income.

Where do you get salary information to help design your program? From your executives, from recruiters and associations. People you interview are a good source of market information. Consulting firms also are a good source. You must keep current! Personnel Systems in Ottawa Canada is an excellent source of U.S. and Canadian data for the high-tech industry.

## **9. LONG TERM TIES**

The second component of a good compensation program – the use of long term financial ties - is perhaps the most important. It's flexible, and executives value it highly. It can be an individual or corporate program and can vary year to year, or it can be used in conjunction with short-term programs. There are many stock, insurance, bond and other long-term programs that are effective. Executives like "equity" -- programs that build estate value, such as stock appreciation programs and stock option programs.

Be creative. For example, grant options right before a cash payout. If your executives are vested, have access to or are expecting a cash payout (bonuses or exercised options), put another long-term program in front of them. Make it very attractive now and have it tied to a short or mid-term time period. It's easier to say "I'll stay two or three more years" than to say "I'll wait 10-15 years for this to pay off."

Make it expensive for executives to leave before you want them to. Incentives must be real and attainable, but you can stagger payouts or associate payouts with loyalty and longevity. Take care, however, to construct a package that is perceived by the executive as a positive incentive rather than restrictive hand-cuffs. Avoid having a negative impact, so that executives won't feel the bond is lost, and start looking seriously elsewhere.

## **10. OVER THE TOP REWARDS**

The final component of a good retention compensation package is one that rewards exceptional performance generously. This means performance that significantly exceeds high expectations.

Short-term incentives are generally of moderate importance. Bonuses for making goals and other short-term incentives are a vital part of any good overall compensation program but they won't necessarily bind an executive for the long term because the same things are usually available elsewhere. What may not be available elsewhere is a senior management attitude that is quick to recognize and that has the mechanisms in place to reward exceptional performance. What will work? Almost anything -- because this reward is generally not expected as a normal part of the compensation package. It's a surprise, so it's wonderful. Cash, gifts, airlines tickets, weekend or week-long getaways, a golf or fishing trip with the boss, an invitation to dinner -- all are valued and appropriate rewards that will contribute to a long term relationship.

Make gifts tangible and expensive, the kind people will notice and comment on. Each comment adds value to the reward. Plan trips or other activities that involve the spouse. Achievement is usually a group effort and a spouse who feels appreciated is less likely to support a move to a new situation. Make the package first class. Do it right, or don't do it.

Another very effective alternative is a stock grant or option as a reward for exceptional performance. It serves the purpose of immediate recognition and reinforcement and it also serves the longer term goal of retention.

*In summary, the three principles of Challenge, Communication and Compensation embody the ten keys to retaining your key executives. If you want to retain them, let them know it and take the necessary steps to prove it!*