ARTICLE

Three tactics for retaining your best people

Retaining the right leaders is more crucial than ever. But in rapidly changing times, many companies don't know where to start anymore. A few are taking promising steps that may offer others useful insights.

This article is one in an ongoing series of articles, discussions, and interviews exploring how leaders are building lasting competitive advantage by treating their leadership pipeline as a strategic asset.

Getting started

- Set up small groups of executives in your highest-priority areas for retention in order to learn about what they're thinking overall, and especially about what's making them stay or consider going. Do whatever it takes to make sure these groups feel like they have a safe space to talk.
- Arrange for every leader in your highest-priority areas to have time to talk individually with a trusted advisor.
- Use what you learn from these discussions to develop a few tactics for your unique situation.
- If you don't have clear executive succession plans for your executives, develop them so that leaders can see where they can go. Communicate a commitment to promoting from within as often as possible.
- Assess how your tactics are working after a few months and change as needed: flexibility is still key.

Even at companies making significant workforce reductions, leaders are increasingly concerned about retaining the best. We believe companies that aren't yet facing a challenge will be soon. Most companies are already becoming acutely aware that if someone leaves, someone better won't necessarily come along, and that they may not have the leaders they need as conditions change. Good leaders have their choice of roles, making it easy for those seeking a change to move. And workforces at every level, including leadership, comprise more and more people who were hired after the beginning of 2020 and so have had little chance to build connection to their company in traditional ways. Among leaders, according to a recent survey we conducted, 76% said they were very or entirely open to changing companies in the next three years.[1] The talent market as a whole is more dynamic and less anchored than most leaders have experienced. And all this is happening in the context of hybrid working, which is forcing companies to experiment with new ways to maintain engagement and retention. It's no wonder most companies can't articulate a winning retention strategy.

But companies that become net exporters of great talent are at risk of falling into an insidious, lasting leadership deficit. Others, however, are taking steps to treat their leadership pipeline as a strategic asset, bolstering it, even in the face of cost cutting, with efforts to improve executive retention, leadership development, and succession planning.

Even retention alone may seem daunting, but some companies are finding new ways to tackle it by focusing on a few specific points in the employee experience, areas where retention has never been of much interest before. Companies are thinking about retention starting in the hiring process; focusing on culture and connection during onboarding; and seeing offboarding as part of retention, too. We have also seen that starting with one or two crucial groups, such as high potentials, helps make the challenge more approachable. Based on what we're seeing, we recommend trying something new today—it's better than tomorrow (see sidebar, "Getting started").

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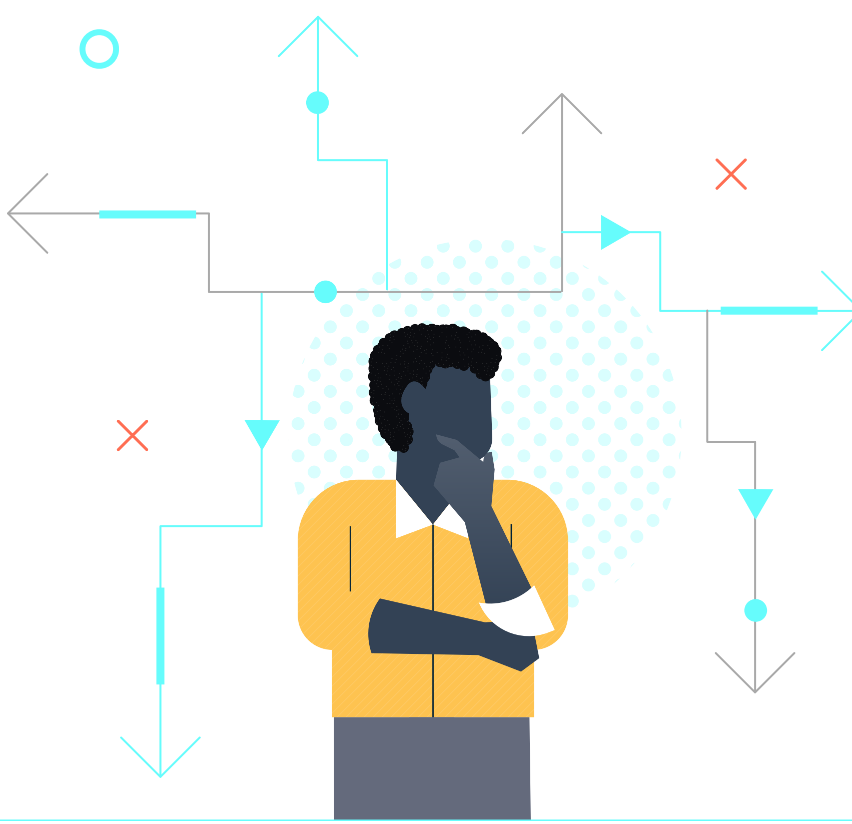

1 Proprietary data from a survey of 250 executives in six countries around the world conducted in spring 2023.

1. Starting at hiring

The strength of connections over time

A global medical equipment manufacturer used its executive development processes to give itself a similar edge as it was restructuring several core functions around customer activities to improve agility and reduce costs. Executive development tends to have a positive effect on retention when companies use them to underscore how they value people.[1] In this case, one functional leader took the opportunity to stretch high-potential leaders in the function into new roles. In some cases, the moves happened sooner than originally planned because of the need to reorganize in the face of economic volatility. But because the company had made years of earlier investments in these people's leadership capabilities, the functional leader knew what kind of support they would need in stretch roles—and he knew they were committed to the company and to growth. So the corporate leadership is confident. This approach has the additional benefit of underscoring the company's faith in these executives even during a period of restructuring, when resignations are common.

1 Dorothy Badie, Lisa Baird, and Steven Krupp, "The overlooked weapon in the war for talent," Heidrick & Struggles, heidrick.com.

Unlike any other strategic asset, leadership pipelines are most often managed piecemeal, with hiring separated from management, promotion criteria not linked to broader succession plans, and learning opportunities not driven by assessments of leaders' capabilities against strategic needs.[2] Hiring decisions, for example, are often based almost entirely on skills and references, which are necessary but not sufficient. When companies do seek to learn more about leaders' approach to culture, purpose, and engagement during the hiring process, and focus on hiring those who are likeliest to engage with and thrive in the company's culture, the results on retention can be striking.

One global professional services firm, for example, explicitly recruits on values, not skills. People tend not to last long if they aren't aligned with the culture. If a company's purpose is not personally inspiring, for example, or at the very least something an employee feels ethically comfortable contributing to, they will not view the company as more than a paycheck—and may be tempted to move on at the first offer of higher compensation. At this firm, this approach certainly results in not hiring some employees who could be valuable, but it has a very positive effect on retention. We have seen that even when people are in a job they don't like or don't fit anymore, they don't want to leave the people and the firm. (A positive environment's effect on retention has been documented in numerous studies, including those conducted since the onset of the pandemic.) Because this firm gets to know most of its people so well, it also often has an edge in implementing change, since it can align leaders to new initiatives and start development early so leaders will be ready. (For more on how deep knowledge of employees is valuable over time, see sidebar, "The strength of connections over time.")

A fast-moving consumer goods company rethought its hiring process to solve a long-standing retention problem: its headquarters were in a city many people didn't want to live in long term. Several years ago, its leaders began to bring potential executives who had made it reasonably far into the recruiting process—and their families—to the city for a weekend. The company made an effort to show off the city, and leaders could assess how engaged both the potential executive and their family were. This has proved to be an effective way to manage a competitive recruiting weakness and has notably increased the company's retention rate.

2 Heidrick & Struggles proprietary data.

2. Focusing onboarding on connection

Onboarding is often seen largely as a scheduling exercise to prepare a new leader to add value in a very short time. But some studies have shown specifically that feeling like one has friends across the company has a positive effect on retention.[3] As physical offices have less of a role than ever in many executives' working lives, virtual networks have become paramount. But in many companies, new hires are left on their own to build internal networks. In addition, our research has shown that inclusive teams, those that create a sense of belonging, are seen as higher performing and contributing more to organizational performance.[4] And the earlier that sense of belonging starts, the better.

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One technology company is addressing this by actively helping new executives create a network as part of onboarding, ensuring that managers suggest people across the organization to get to know based on personal interests and professional backgrounds as well as immediate job performance needs. The company also builds in meaningful time for new executives to make these connections while they are getting up to speed rather than expecting very early, job-specific accomplishments.

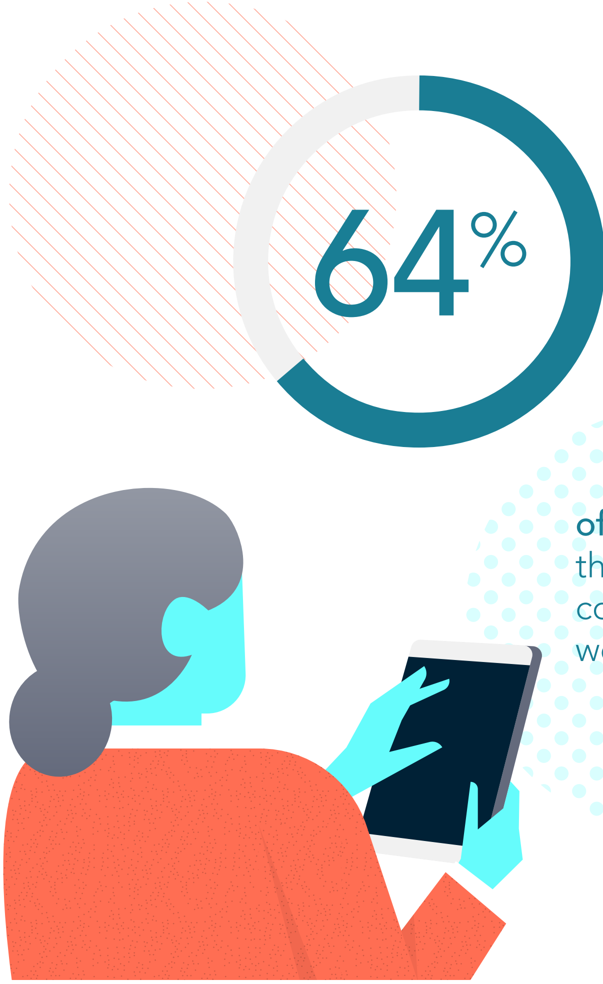
Another shift in some leading managers' and companies' approach to onboarding is to make it continuous. Rather than assuming everything is OK once a new person has a network, some companies arrange for a peer or a member of the management team to check in every six months or so. This approach can lead to more open conversations than if a hiring manager or line leader checks in and can help avoid surprises. At one company we're familiar with that *didn't* do this, for example, a very senior leader in a core function was engaged in a strategic decision-making meeting one day and quit the next. More generally, we are hearing more and more stories of senior executives resigning without giving their current employers time or room to react.

On the other hand, open conversations with peers or other leaders about overall engagement and the possibilities of staying or leaving create a sense of psychological safety and preempt the common fear of discussing the subject at all. When such conversations also include discussions of executives' future options at the current company—either as part of a formal succession planning process or informally—that can also help keep wavering executives engaged by alerting them to possibilities they may not have been aware of.

3. Seeing offboarding as retention too

We have also seen companies effectively, if counterintuitively, use offboarding processes to maintain a sense of connection and belonging. People often assume when they leave an organization that a bridge has been burned, by them or by the organization. But that doesn't have to be true. Some companies run active alumni programs through which they stay in touch with former employees regularly, hosting social and learning gatherings. Others focus on finding people who are leaving—whether by choice or through redundancies—opportunities somewhere in the corporate ecosystem, such as with a vendor or supplier. Those relationships tend to create short-term performance benefits, because of shared knowledge, as well as longer-term goodwill. At some companies, managers are expected to call high performers who have left every six months or so in order to stay in touch and see how things are going; not infrequently, they find that people who have left aren't as happy as they expected to be. All of these approaches can begin conversations about people returning, which may have the biggest retention benefit of all: people have seen that the grass really isn't greener elsewhere.

3 For example, see Katie Navarra, "Workplace romances can be tricky, but friendships boost retention," SHRM, February 7, 2023, shrm.org.
4 Alice Breeden and TA Mitchell, "Six actions leaders can take to nurture inclusive teams," Heidrick & Struggles, heidrick.com.



of CEOs appointed at the largest public companies around the world were **internal.**

Retention matters all the way to the top

The strategic importance of the leadership deficit is underscored by the increasing numbers of new CEOs being appointed internally: 64% of those appointed at the largest public companies around the world in the 12 months ending last July, for example, were internal, a new record.[1] And there was a high rate of change among the people reporting to CEOs between 2020 and 2022: among Fortune 100 executive committees, for example, 69% of added roles and 11% eliminated them, and the number of people on these teams grew by nearly half.[2] Even if that pace of change slows, the ongoing evolution of executive committees in response to strategic volatility will inevitably lead to greater volatility at lower levels as well. This means more chances for people to feel valued—or not.

1 *Route to the Top 2022*, Heidrick & Struggles, heidrick.com.
2 Proprietary Heidrick & Struggles analysis, forthcoming.

Even at companies making significant workforce reductions, leaders are increasingly concerned about retaining the best. The most forward-looking are beginning to value their leadership pipeline as highly as any other strategic asset. It's tricky to retain leaders in today's dynamic environment, when many are loosely connected. But thinking about who will stay when they hire, building connections from the beginning, and maintaining connections after people leave are three places to start.

We expect to continue to explore this topic in public and private discussions throughout the year. Please tell us what's working for you.

About the authors

Ed Manfre
is a partner in Heidrick & Struggles' Los Angeles office and a member of Heidrick Consulting.

emanfre@heidrick.com

Jonathan McBride
is the global managing partner of the Diversity, Equity & Inclusion Practice and a member of the Heidrick Consulting Global Leadership Team; he is based in the Los Angeles office.

jmcbride@heidrick.com

Sharon Sands
is a partner in Heidrick & Struggles' London office and leads the Leadership Development, Leadership Assessment, and Executive Coaching practices as part of the consulting global leadership team; she also co-leads the CEO & Board of Directors Practice in London.

ssands@heidrick.com

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Organization Acceleration, Culture Shaping, and Diversity, Equity & Inclusion	Rose Gailey Costa Mesa rgailey@heidrick.com
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