

How Great Leaders Retain Their Top Talent CEO Topics: General Atlantic Newsletter

CEOs should not presume that the turbulent economy dissuades top talent from pursuing their career goals. Smart leaders are proactively developing strategies to motivate and retain their top performers as a recovery begins. The risk of defection is significantly lower during a recession, but competitors will still try to entice top performers. In fact, challenging as it is to attract great talent, it can be even more difficult to retain them. Harvard Professor Michael Watkins notes, "There is tremendous pent-up demand for new opportunities and advancement among high-potential leaders". Ultimately, the CEO is accountable for retention and the company's commitment to keeping its star performers.

Why go to great lengths to keep top talent, and what is the potential risk of not having a retention strategy? According to the 2009 ExecuNet/Finnegan Mackenzie Executive Retention Report, "The cost of losing top management talent is revealed not only through the cost of replacing him or her, but also counted in a potential loss of unit productivity, lower morale and higher rates of disengagement among disenfranchised subordinates to a respected leader now departed." In addition, it jeopardizes valued client and vendor relationships, plus the loss of that individual's institutional knowledge. Research has shown that when a high performer leaves, the cost of recruiting, onboarding and reeducating a replacement may range from 70 to 200 percent of that individual's annual salary.

What do top performers really want from their companies? It may surprise many, but the response to "what is the most important reason for staying in your present position/company?" is rarely "money". While compensation is important to everyone, it is actually a short-term motivator in the absence of other factors. Research shows that the following elements are key drivers for top talent retention:

- **High performers want to work for strong Managers** who set clear and realistic expectations and enforce a personal development plan with which the individual perceives he/she can be successful. Jay Conger, the Henry Kravis Research Professor of Leadership Studies at Claremont McKenna College and author of [The Practice of Leadership: Developing the Next Generation of Leaders](#), said, "The largest predictor of whether someone will stay with a company is their satisfaction with their immediate boss." In fact, daily communication with their manager may be the most significant factor influencing employee productivity, morale and retention. Top performers welcome direct, constructive feedback and ongoing discussions about their goals and aspirations.
- **Individual recognition** and direct praise for valuable contributions are strong motivators for high performers. Acknowledgement and appreciation for those who have delivered results above and beyond expectations will inspire them to

reach higher goals. Be specific in addressing the particular achievement and how it benefitted the organization.

- **Consistent and clear communication** is critical for top talent to believe they are vital to the company and to understand their personal contribution to the bottom line. A regular, open dialogue that solicits their opinions and allows them to provide input on important decisions will make them feel like they are part of company's core. The best leaders are good listeners and appreciate constructive feedback from top performers.
- **Feed their hunger for knowledge** by offering them new and more complex projects and provide them with tools for learning and professional development. This sends a message that you believe in and trust your stars to take on more accountability and that you are committed to their growth over the long term. Your high performers crave challenge and the opportunity for advancement.
- **Surround them with more of their own;** "stars" want to work with people who will stimulate their thinking and push them to higher achievements. As they see more high potentials being developed by and recruited to your leadership team, their natural sense of competition will drive them to perform even better.
- **Promote a high performance culture that aligns goals, performance, and rewards** across the whole company. Create an environment where poor people management is unacceptable

Once you have mastered the art of managing a high performer, get ready for the next challenge: retaining the stars of the multi-generational workforce. Harvard Business Review recently defined the five generations poised to work together for the first time:

- Traditionalists, born prior to 1946
- Baby Boomers, born between 1946 and 1964
- Gen Xers, born between 1965 and 1976
- Millennials (or Gen Yers), born between 1977 and 1997 and
- Gen 2020s, born after 1997

We have yet to understand the paradigm shifts that will occur over the next ten years, as the Gen Xers and Gen Yers inherit the senior management ranks from the Baby Boomers. What we do know is that each group has its own set of values, ethics and work expectations. Ask each generation what they want from their career and you might get radically different answers. The way you recruit and retain them will likely be just as different.

High performers are closely watching their Senior Leaders as the economy rebounds. Lack of career advancement or recognition will be ample cause for increased flight risk. When the CEO champions a strong company retention strategy, top talent becomes a powerful competitive advantage.