

30
YEARS



KATHY FREEMAN COMPANY
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RE-ENGINEERING RETENTION

TIPS AND TRENDS FOR DEFENDING AGAINST TURNOVER

The [Money Management Institute](#) recently hosted its Annual Leadership Summit in St. Petersburg, Florida, where one of three primary pillars for conversation among the executives attending comprised of the challenges surrounding talent.

The *Re-Engineering Retention* breakout session was the result of an analysis my firm conducted recently to ascertain what was motivating leaders to jump into our searches over the past 12-18 months. Based on several decades conducting retained search across the investment industry, we know that human capital trends vary depending on market conditions, economic outlook, and corporate growth. In our analysis this year, we identified three key areas referenced most frequently by leaders willing to consider a new opportunity at a different firm:



MOTIVATORS FOR CHANGE

- Lack of Innovation
- Reorganizations/Reduction in Force (RIF)/Leadership Change
- Inability to Stretch Strategically

The conversation for our breakout session was designed to allow leaders within the room to consider how, or if, they were addressing any of these issues within their own firms. In today's competitive market for talent, it is incumbent upon leaders to understand potential areas for employee dissatisfaction and then intentionally craft solutions to tackle those issues.

As an aside, it was interesting to note that as we reviewed our analysis, we found a close correlation to the findings in our [2022 Talent Trends Report](#) about the skills leaders said were their most critical priorities for talent development. We thought it might be useful to consider both sides of this talent equation by marrying the need for the development of leadership skill sets with the current trends on why key talent is open to considering a change.



DISSATISFACTION - A PERCEIVED LACK OF INNOVATION

Leaders that we spoke with cited their firm's lack of innovation as one of the primary reasons they were willing to consider an outside opportunity. They didn't sense their company was committed to transformation, nor was there evidence of an innovation-centric environment.

While perception is not always reality, there is clearly an opportunity and obligation to nurture innovation from the bottom up, especially since those we spoke with who were considering a change weren't seeing evidence of innovation coming from the top down.

A year-end survey of executives regarding priorities for leadership development showed that one of their primary concerns was "fostering innovation" among their teams. To unite leadership's desire for the development of this skillset with a desire by individuals to experience opportunities to innovate, leaders would be well served to consider whether there are steps today for innovation exercises to be implemented among their teams with a regular cadence. Keeping the team attentive to where the puck is headed in the industry, and how they can help anticipate the future and drive change in the business accordingly, will be a critical retention tool.

One interesting illustration of engaging employees in innovation is Google's "20% rule." At Google, employees are encouraged to spend 20% of their time working on projects they think will most benefit the firm. The 20% rule empowers their employees to focus on creativity and innovation. Google's AdSense and Google News were just some blockbuster solutions that resulted from the 20% rule.

DISSATISFACTION – ORGANIZATIONAL INSTABILITY

Organizational change was another catalyst motivating people to consider other opportunities. In today's environment, key leaders are drawn into the change paradigm in their own careers as a result of their firms' personnel changes, whether at the C-Suite, reductions in the general workforce, or organizational restructurings.

The reality is that companies are constantly evolving and there is a keen interest in developing leaders who are able to effectively drive change. In fact, our [2022 Talent Trends Report](#) found that 35% of leaders surveyed were looking to develop change management skills in the levels below them.

Industry leadership today needs to be intentional about reframing negatives into positives. To be clear, a reduction in force is a negative occurrence most of the time. However, it is incumbent upon leaders to meet individually with their teams to refocus them on their own career development plans and to highlight new growth opportunities alongside the noise created by a RIF.

When a firm or board makes changes at the C-Suite, it is likely that more leadership changes will follow. Nonetheless, to defend against greater turnover, it's a critical time to highlight the importance and value each team member brings to the business. Coaching others to lean positively into change and anticipate what's possible is a skill set that effective leaders must develop.

A [2019 study by McKinsey](#) confirmed the benefits of active engagement in the conversation about change. Executives at companies that openly discussed change were four times more likely to say that change ultimately benefited their organization.

30
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DISSATISFACTION – INABILITY TO STRETCH STRATEGICALLY

Another recurring theme from our executives who were open to change centered on a perceived lack of opportunity to strategically contribute to the success of the business.

Leaders were feeling siloed in their skill sets, without the opportunity to become more meaningfully involved in running the business or playing a strategic role. Sometimes, executives hold on tightly to owning the multiple facets of a business, whether it is data or competitive analytics, understanding product trends, or building efficiencies into business process. This is a mistake. The truth is that others in the organization would welcome learning and contributing their own input into these different areas. Without the opportunity to stretch their minds and skills, they become bored and more readily open to leaving.

Highlighting the importance of strategy, 58% of leaders surveyed in our [Talent Trends Research](#) believed strategic thinking was one of their most urgent talent needs. In order to address this deficit, create coaching exercises with questions where your team is charged to problem-solve in areas of the business outside of their daily purview. Another important aspect is establishing a regular cadence for conversations that address their results. This provides a forum where their thought process and presentation ability can be constructively critiqued.

SUMMARY

Re-Engineering Retention requires being intentional about writing your own narrative as a leader. That narrative reinforces your dedication to developing and stretching the skills and abilities of those who report to you. Beyond that, remember that change often breeds additional change. If there are organizational dynamics at work in your firm, be transparent, reframe perceived negatives into positives, and replace worry and fear with expectation and opportunity. An old adage says that people don't leave firms, they leave leaders. In the hyper-competitive market for talent, it's more incumbent than ever that leaders become intentional about talent development in order to defend against departure.

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