

## **FIVE STEPS TO BUILDING EMPLOYEE LOYALTY**

Many executives believe that employee loyalty does not exist in today's business environment. However, each year *Forbes* and *Fortune* provide annual surveys of the best companies to work for. Each year, despite recessions or boom times, employees of these companies identify the same issues that keep them loyal: honesty, respect for the person, walking the talk, strong concern for doing the right thing for employees and customers, feeling like their jobs make a difference, etc.

This paper takes the position that employee loyalty is alive and well in organizations that understand how to identify and meet employee needs.

The topic of employee loyalty is similar to the theme of the book, *Acres of Diamonds*, in which a man searches the whole world for the riches that were the dirty black stones (i.e., diamonds) in his own backyard. Employee loyalty is the diamond in every organization's "backyard." The process of recognizing and refining this treasure is the key to success.

Just as there is a process for hiring employees, there is a process for building employee loyalty. This process is identified by the five steps of the Loyalty Ladder:

- Step 1 – Salary & Benefits
- Step 2 – Targeting & Selecting
- Step 3 – Value Proposition
- Step 4 – Satisfaction
- Step 5 – Loyalty.

### **Step 1 – Salary & Benefits**

Salary and benefits represent the first assessment that an employee makes about an employer. This assessment involves a simple question, "What's in it for me?" An employer may not want to believe that an employee thinks in these terms. However, in the process of deciding to accept a position, an employee is making a "business decision" about investing his/her effort for a financial return. Employees seek opportunities that maximize net income (i.e., the highest possible take-home pay with the least out-of-pocket costs) just like businesses.

If an employee perceives value in the investment, the employee takes the first step in establishing a relationship. If value is not perceived, then the employee passes on the opportunity or, what is even worse, accepts the position as an interim step while waiting for something better to come along.

A broad assumption must be made at this point. The assumption is that a company wants to hire the best possible workers at any given point and wants to retain them for as long a possible. If this assumption is correct, then a company would want to attract the best possible candidates by maintaining salaries and benefits that are not just comparable, but that provide a competitive advantage in the recruitment of talented individuals. As such, organizations need a methodology to continuously monitor and communicate the competitiveness of their compensation and benefit programs to initially attract and subsequently retain the best workers.

### **Step 2 – Targeting & Selecting**

Just as a company has A, B, and C-level customers, the complement of employees in an organization consists of A-players, B-players and C-players.

The A-players represent the most valued employees of a business who typically “go above and beyond the call of duty.” These are the people who work late, are interested in advancement, strongly believe in the mission and purpose of the organization, are willing to accept more responsibility, often take the job home with them when they leave work, etc.

The B-players represent that stable group of hard-working employees who show up every day, are actively engaged in their jobs, will work extra if asked, but usually leave the job behind them at the end of the day.

The C-players are the square pegs in the round holes. They simply don’t fit. C-players are the terrorists within a company. They take up a disproportionate amount of management time and resources.

The objective of Step 2 of the Loyalty Ladder is to ensure that the organization only hires A and B players. The strategy of “getting the right people on the bus...” was described in the book, *Good to Great*, by Jim Collins.

At Your Part-Time HR Manager, LLC, we have created a formal recruiting process that dramatically increases the probability of “getting the right people on the bus” the first time. To this end, we have documented our recruiting and interviewing program in the E-book, *Secrets to Hiring Success*. If you would like to download the first 5 chapters of our book, visit the Downloads section of our website, [www.YourPartTimeHRManager.com](http://www.YourPartTimeHRManager.com), and select the link titled, Secrets to Hiring Success.

### **Step 3 – Value Proposition**

The value proposition represents a company’s promise and subsequent delivery to employees of a working environment (i.e., incentives, performance measures, recognition programs,

development, culture, management, organizational financial stability, etc.) that causes an employee to maintain his/her relationship with the employer.

Simply providing a high salary and great benefits will not create employee satisfaction and loyalty. Employees must have confidence in the financial survivability of the company and feel part of the social network of the organization. As such, an employer's value proposition must include the delivery of employee initiatives to help the employee feel that he/she is a valued part of the organization as well as provide the employee with confidence in the long-term survivability of the company.

#### **Step 4 – Satisfaction**

Employee satisfaction is a measure of an employee's expectations of the organization to the organization's actual performance. Whenever actual performance matches expected performance, an employee would be classified as "satisfied." Whenever actual performance exceeds expectations, an employee would be characterized as "delighted." However, an organization cannot assume that an employee's satisfaction or delight will lead to loyalty.

Satisfaction measurements can be broken into two broad categories:

- Processes
- Outcomes.

From these two categories, an organization needs to identify the specific measures by which an employee will judge the employer's performance. These specific measures are known as Performance Attributes. Performance Attributes capture the essential elements of the relationship between an organization and its employees from the employees' perspectives, not the employer's. Performance Attributes would include every critical aspect of the relationship from recruiting to termination.

Performance Attributes that are used in employee satisfaction surveys can be broken down into 10 categories:

- Accountability & Evaluation
- Workload & Resources
- Autonomy & Control
- Career Development & Training
- Compensation, Rewards & Job Security
- Involvement & Recognition
- Communication
- Interpersonal Relationships & Teamwork
- Mutual Trust & Respect
- Corporate Mission & Culture.

### **Step 5 – Loyalty**

Employee loyalty is that feeling of attachment to or affection for an organization’s mission, values, and relationships (i.e., management and fellow employees) that manifests itself in various forms of measurable outcomes (metrics). The most notable employee loyalty metrics are:

- Productivity (Revenue or Profit Per Employee)
- Retention/Longevity
- Referrals for Employment
- Number of Suggestions
- Volunteering for Company-Sponsored Events
- Turnover Within Probationary Period & First Year
- Formal Grievances/Complaints
- Unexcused Absences
- Employees Lost to Competitors
- Rehire Rate of Former Employees.

In addition to the above measurable outcomes, there is an element of unseen attachment known as emotional loyalty. If loyalty metrics quantify “How loyal an employee is,” emotional loyalty identifies “Why an employee is loyal.”

Emotional loyalty is that hard to describe feeling which causes an employee to prefer working with a given organization in the face of equal or better offerings from competitors. Emotional loyalty has direct links to Performance Attributes, but also includes the chemistry (i.e., interpersonal relationships and connections), which develop among employees, most notably the relationship between an employee and his/her supervisor.

A critical factor in employee emotional loyalty is the soft-skills (i.e., emotional intelligence) of an employee’s immediate supervisors. It is often said, “Employees don’t leave companies, they leave supervisors.” As such, the behaviors and interpersonal skills of management personnel become essential elements in strengthening or weakening the emotional bonds with employees.

### **Conclusion**

An organization is formed for many reasons. However, it cannot continue to survive without satisfactorily meeting the needs of its customers. If customer needs and expectations are met, customers will exhibit various forms of satisfaction and loyalty that will reward the organization. The reality of almost all enterprises is that the only way to achieve high levels of satisfied and loyal clients is through satisfied and loyal employees.

Is employee loyalty dead? The answer is “yes” in organizations that fail to understand the nuances of the work-life needs of employees. However in organizations that recognize and monitor employee needs, employee loyalty is alive and well and represents “acres of diamonds” that comprise a tangible and an intangible corporate wealth.