

The Catalysts for Intellectual Capital 2020



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Innovative Retention Strategies for Talented Young Professionals

Leading from the Confluence

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ABSTRACT

As we progress further into the 21st century, research shows that intellectual capital, or human capital and knowledge, became the chief resource within any organization. Human capital represents those individuals who have the academic capability to obtain economic value within a corporation. Intellectual capital is predominantly based on one's knowledge, skills and experience (Ramlall, 53). With the intense competition between companies to retain their most desirable employees, Human Resource departments and top executives must invest a considerable amount of time and money in an effort to implement the best-known retention

practices for today's human capital. Within this paper, 'model' companies in the Southern Tier accredited for their successful retention strategies include Diamond Visionics and eni.

Keywords: Retention Strategies, Human Resources, Intellectual Capital, Human Capital, Motivational Theories

Binghamton Keywords: Diamond Visionics, eni

I. INTRODUCTION

At a Joint Economic Committee Congress in June 2000, Bill Gates, Chairman of Microsoft stated, "The lifeblood of our industry is not capital equipment but human capital." (Sommer, 1).

Due to the fact that intellectual capital has become the heart and soul of today's

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organizations, companies are working harder than ever to retain their most important resource; talented, young professionals. Specifically within the Southern Tier, there is a lot of potential for economic development and growth. In order to successfully retain this human capital commonly referred to as Generation Y, employers must develop retention plans that do not only focus on the internal company in order to develop regional revitalization and economic development. Instead, employers must give young employees the opportunity to improve their quality of life through intellectual growth and socialization within the surrounding community. With these new requirements of young professionals, the help of successfully researched theories, and "model" companies in the Southern Tier, local businesses have the chance to develop innovative

retention plans for fully retaining our new generation of intellect.

II. GENERATIONAL COLLISIONS

Now that people are living longer and therefore working longer, for the first time in history, today's workforce is composed of four generations of employees; Traditionalists (pre - 1946), Baby Boomers (1946 – 1964), Generation X (1964 – 1981), and Generation Y (1982 – 2000). As a result, one of the most difficult challenges for business leaders is the ability to meet the needs of all employees (Lancaster, 2). Author, Cara Spiro, states that “Each group has its own distinct set of values, view of authority, orientation to the world, loyalty, expectations of their leadership, and ideal work environment” (16). As a result, in order to truly succeed in today's economy, it is imperative for organizations to develop retention plans that satisfy all four generations.

Another article, "Creating High-Performance Organizations" discusses that in order for an organization to meet the needs of such a diverse group of individuals, a new loyalty

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relationship must be formed between organizations and their employees. In today's job industry, a crucial element of business success, is the employees. As a result, "... is critical that companies treat people in ways that lead to them being committed, if not loyal members" (Lawier, 10). If young professionals do not feel valued or respected by their colleagues and managers, they are less likely to feel inclined to work hard and as a result more likely to leave a company.

Unfortunately, this trust is extremely difficult to obtain due to the fact that the only remaining generation that has lived with having loyalty towards institutions are the traditionalists. The traditionalist generation was born pre-1946 and still 25 percent are found in the working industry. The remaining generations that are additionally involved in organizations are the baby boomers (1946-1964), generation xers (1965-1981) and millennials (1982 – 2000). Industries have recognized the difference amongst this wide range of age groups in that traditionalists, who are extremely loyal to companies, are also lacking in today's technology. At the same time, technology is comes second nature to those categorized as millennials, yet these individuals harshly judge companies and institutions on their own merit.

Due to globalized competition and the rise of technology, the idea of a long-term "loyalty contract" given out to workers became a poor investment for companies in today's job market. A recent survey discovered that only sixteen percent of large United States corporations place a strong emphasis on loyalty. Realizing that the concept of a "loyalty contract" between employees and a company is ending, companies can no longer count on employees to stay with the same organization for years. Instead, "Today's employees are demanding substitutes for the security the loyalty contract affords. Challenging work, opportunities for learning, being treated

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with respect, and last but not least substantive rewards are usually at the top of their lists. And when they do not get what they want, today's workers are quick to move on to more attractive employment situations" (11). The department of Human Resources and top executives now face

a new challenge to prove why employees should come and stay at their company over any other..

III. GENERATION Y

If capitalized on, Generation Y, commonly known as the echo-boomers, could become one of the greatest assets of companies in today's business environment. As they currently consist of approximately 21 percent of today's workforce, companies are in high demand of retaining these desirable employees. Spiro maintains, "Generation Y is a powerful group of young individuals with unique attributes and a potential considered by most social scientists and researchers to be infinite" (19). With the introduction of these young individuals into the business environment, there exist significantly noted differences from previous generations that employers must be aware of in order to appropriately retain this group of young professionals.

IV. WHY EMPLOYEES LEAVE A COMPANY

Based on a study, approximately 58 percent of company employers have a difficult time keeping newly hired employees from leaving. Although there are a variety of personal reasons that can account for why an employee may choose to leave a company, professionals must take into account that many individuals who choose to leave are in significant disagreement with the employing organization. Some of the reasons linked to quitting a job include job stress, work overload, and repetitive work. Some of the primary reasons for leaving a company are salary, lack of challenge and opportunity, lack of career advancement opportunities, lack of recognition, ineffective leadership, and inadequate emphasis on teamwork (Ramlall, 66). Ramlall also says,

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not having the opportunity for a flexible work schedule, too long of a commute, lack of trust in senior management, insufficient opportunities for training and development, and finally low overall job satisfaction are additional reasons for choosing to leave a company. Corporations must pay more attention to the growth potential and quality of life of their employees rather than just the internal functioning of a company.

IV. IMPACT ON A COMPANY WHEN EMPLOYEES LEAVE

Organizations have come to understand that with every employee who chooses to leave, the company suffers financially. Based on a study further investigating reasons for leaving a corporation, 59 percent and 41 percent of individuals participating cited that they left due to compensation and opportunities for career advancement. According to the article, Fitz-enz (1997) stated that the average company loses approximately \$1 million with every 10 managerial and professional employees who leave the organization” (Ramlall, 64). In addition, if you were to combine the direct and indirect costs of an employee, it would range from one year’s pay and benefits to two years. As a result, companies suffer tremendously from turnovers for both financial reasons and employment reasons

VI. MOTIVATIONAL THEORIES

An important aspect of employee retention falls in the idea of motivation. From *A Review of Employee Motivation Theories and their Implications for Employee Retention within*

Organizations, motivation can be defined as the “willingness to exert high levels of effort toward organizational goals, conditioned by the efforts ability to satisfy some individual need” (Ramlall, 53). There are various key factors that have been found to motivate an employee to work hard

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within a company. It has been crucial for leaders of today’s organizations to incorporate researched motivational theories into a successful retention plan.

A. Maslow’s Need Hierarchy Theory

Maslow's Need Hierarchy Theory determined that all human beings require at least five basic needs; physiological safety, love, esteem, and self-actualization. The preservation of these goals contributes to the motivation and commitment of an employee in the workforce. Ramlall expressed that it has been highly recommended for "Organizations to implement support programs and focus groups to help employees deal with stress, especially during more challenging times and taking the time to understand the needs of the respective employees" (54). Working for a company that cares substantially about its employees to organize programs for one’s personal well-being offers individuals a better chance of meeting the essential needs of physiological, safety, love, esteem, and self-actualization.

A. Motivator-Hygiene Theory

Frederick Herzberg discovered what we now know as the Motivator-Hygiene Theory

through research from the mid-1950's. What Herzber determined was that within the workforce, there are "motivator" factors and "hygiene" factors. Hygiene factors can be described as dissatisfying work experiences that may result from salary, employee and manager relations, and company rules. Due to the idea that the removal of these factors would only result in a neutral state as opposed to satisfaction, motivator factors that contribute to retaining employees are extremely important. Motivator factors, such as achievement, responsibility, recognition, the work itself, advancement, and growth, are responsible for employee satisfaction. For example, by increasing the accountability of individuals for their own work, an employee can feel

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motivated through feelings of responsibility and recognition. As a result, "Jobs should be redesigned to allow for increased challenge and responsibility, opportunities for advancement, and personal growth, and recognition" (Ramlall, 57).

B. Equity Theory

Equity theory is based upon a combination of three specific assumptions. Employees strive to obtain rewards they specifically believe to be fair. Second, these individuals typically compare their rewards with that of others in order to see if there is an imbalance. Finally, if an employee develops feelings of inequitable treatment, they become motivated to respond however they feel is most appropriate. For this reason, "The challenge therefore for organizations is to

develop reward systems that are perceived to be fair and equitable and distributing the reward in accordance with employee beliefs about their own value to the organization" (Ramlall, 55). By doing so, an employee's level of satisfaction will receive an award equitable for a job well done.

C. Job Design

The theoretical approach of job design believes that specific jobs and tasks assigned are crucial for the motivation of an employee (Ramlall, 56). Employees must feel as though they are constantly challenged rather than working a boring and monotonous job. In order to create further challenge and therefore employee motivation, variety, autonomy and decision authority must be incorporated into every job position. Additionally, job enrichment and job rotation can significantly help to keep employees eager to work to their full potential.

VII. RETENTION STRATEGIES: THE VIRTUOUS SPIRAL

In today's era, a new effective strategy, entitled the 'virtuous spiral,' is used to retain workers within a company. The idea behind the virtuous spiral is for a corporation to strategize the most effective ways to attract, retain, and develop effective employees. "To successfully sustain a virtuous spiral, organizations need to emphasize ever-increasing levels of performance, higher reward levels for individuals and increasingly competent employees" (Lawier, 12). High performance results in more rewards and thus, increased employee commitment to a company.

A reliable course of action for developing a virtuous spiral is known as 'value proposition'. Value proposition allows companies to specifically state what kind of company it is, what is expected of its workers, and of course how the company will reward employees. As a result,

people have the opportunity to gain a clear understanding, or trust, within a corporation because they are able to recognize the goals, objectives, and values of the organization.

Companies must take into account that the reward system must both attract and motivate desirable employees rather than just anyone. These candidates are described as "People who have the motivation, skills, knowledge, competencies, and personality to perform well given the strategy, goals and practices the organization has" (Lawier, 13). A common mistake that companies run into is creating a reward system that may attract people but is unable to motivate them in the workforce. Due to the fact that individuals highly value and respect a sufficient reward system, it is crucial to design it accordingly to pull individuals towards an even higher performance level.

Research shows that skill development, rewards and recognition results in continued performance to efficiently change the economy. As a result, "Organizations need to create a culture that emphasizes that its people must continue to learn and grow as the organization and environment change" (Lawier, 15). Therefore, the second step to the virtuous spiral is known as 'branding', or creating a unique and powerful image in order to set a company apart from all of

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the rest.

Branding is often quite difficult and relies entirely on a company maintaining their values through the duration of all recruiting tactics. This allows for the display of a realistic picture of an

employment situation within a company. In the end, recruiting individuals based on performance and allowing them to grow as the organization prospers is an important concept in today's working world.

VIII. BEST PRACTICES

The majority of industries within the Southern Tier have struggled significantly over the years when it comes to retaining graduating students and young professionals. Yet at the same time, there are a select amount of businesses that can be viewed as 'model companies' in the local area. These companies have incorporated today's updated research on retaining employees and have found positive results.

A. Diamond Visionics

Jason Gdovin, who now works for Diamond Visionics under his father, David P. Gdovin, one of the founders alongside David L. Peters, agreed to meet with me for an interview in regards to the company's increasingly successful innovative retention strategies for young professionals. When looking to recruit future employees at Diamond Visionics, a technology services company formed in the mid-90's, Jason explained that it is essential to find individuals with a true passion for the nature of this company. When people enjoy where they work and what their company represents, you are likely to find that employees are more satisfied and less likely to leave.

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Recruiting and retaining young talented people in the Southern Tier has been a difficult task for many companies in the area. For students and young professionals searching for jobs on their own time, Diamond Visionics provides information regarding current job openings on a variety of career sites. First, the actual Diamond Visionics web site holds all job listings for people to access if they come across the company home page. Second, posting job openings on University Career Development Sites at universities including Binghamton, Buffalo, Cornell and Syracuse gives students an additional opportunity to learn about Diamond Visionics. This company uses typical industry blog sites like crariglist.com where talented individuals living within or outside of the Southern Tier can easily come across Diamond Visionics job opportunities.

While the internet has become an increasingly used resource for industries to recruit individuals, face to face contact between a company representative and a young professional can be extremely beneficial. For this reason Jason finds it necessary to have Diamond Visionics signed up for job and internship fairs where they can show the face of the company.

What truly sets Diamond Visionics apart from most companies in the area is the way in which it mines for talent through universities like Binghamton. Jason commented that “Diamond Visionics prides itself with key partnerships within the region, at Binghamton University, Strategic Partnership for Innovative Research (SPIR) allows us to work with Dean’s in the respective schools of Management, Watson School of Engineering, Geography Dept. and often hand picks top students to come work/intern for us” (Gdovin). By working with university

students and specifically offering internship experience, Diamond Visionics is getting its name out there to future professionals. If students are satisfied while interning at a company, they are

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more likely to take on a full time job if given the opportunity after graduation. As a result of this recruiting tactic, 40 percent of Diamond Visionics employees can be attributed to Binghamton University graduates.

When new employees initially start working at Diamond Visionics, Jason commented that it is important to treat these individuals the same as any other employee. This holds true both within and outside of the office. When new employees are in the office, Jason stated that “We expose them to a collaborative engineering process (called Agile) that allows them to be creative and innovative” (Gdovin). Working together as a team helps young professionals to feel comfortable enough to express their ideas amongst a group and not feel the pressure of doing a task alone. Group work creates a much better working environment for people because it is reassuring to feel as though you are truly part of a team.

Considering that the majority of each week day is spent at the office, young professionals need to have opportunities for social interaction provided by the company in which they work for. Due to the fact that the surrounding community has become an increasingly important factor when deciding where to live and work, it is crucial in today’s society for companies to bring employees together outside of the office.

Diamond Visionics has found a way to allow employees to interact in other ways than

collaborative engineering assignments. For young professionals especially, it is important to have the chance to engage co-workers in a more relaxed setting than at work. At Diamond Visionics, Jason showed me an 'Activities Club' handout with a variety of group outings, local events/activities, luncheons, and other events that are open to every employee. These events not

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only spark communication, but also help young professionals to connect with their surrounding environment they were attracted to in the first place.

Diamond Visionics Activities Club

Group Outings

Bowling Outing at Brandywine Bowl
Binghamton University Basketball Games
Binghamton Mets Baseball Games
Comedy Club - Magic City Music Hall
Corporate Challenge at BCC
Golf Outing - River Run II Golf Course
Ross Park Zoo
Trekking - BU Nature Trail
Summer Picnic - Dorchester Park
Chuck E. Cheeses
Mini-Golf and Ice Cream
Pumpkin Farm - Hay Ride
Cider Mill Playhouse
Holiday Party - Nirchi's on the Avenue

Support of Local Events or Activities - \$10/ticket

Ski Club - Greek Peak
Opera Performance at The Forum
Spiedie Fest at Otsiningo Park
Company Logo embroidered on Clothing/Jackets, etc.

Luncheons

Pot Luck Luncheon
Moe's
Spiedie & Rib Pit
Phils Chicken House
Nirchi's Pizza

Other

Hawaiian Shirt Day – Wear Leis & have a Luncheon
Halloween - Wear costume to work - Cider Mill Donuts
Movie tickets - Employees birthdays
New Contract Award – Tully's

While a positive, team-oriented working environment, in addition to extracurricular activities within the surrounding area are of extreme importance when choosing a company to permanently work for, financial benefits are also necessary. At Diamond Visionics, “We offer a

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competitive salary that competes with other industry in the area such as BAE Systems, and Lockheed Martin. The package consists of Health Insurance, 401K, Long-Term disability insurance, Short-term disability insurance, Education Assistance, Flex-time, Bonus” (Gdovin). Jason has made sure that his company provides a salary and benefits deal that is comparable to any other competitor.

Diamond Visionics has turned itself into a company that offers all the basic needs an employee would look for in a business. Young employees are motivated, challenged, and treated with respect in a team-oriented working environment. Outside of the office, employees have the option to participate in recreational activities and explore areas within the community. Finally, financial benefits live up to the same standards of other local competitive corporations and

therefore turn money into even less of an issue.

B. eni

Each year companies are selected through a two-part employee survey formulated by the New York State Society for Human Resource Management (SHRM) and Best Companies Group. (2009, Best Companies to Work for New York). The surveys ask questions regarding the company's general information including best practices and policies, as well as personal experience questions. While this award alone can help to attract young talent to an organization, to be ranked within the top 20 small/medium or large companies truly shows that a company has found a successful retention plan for keeping employees satisfied and motivated at their place of work.

eni, a small/medium sized company affiliated with the behavioral healthcare industry, was ranked six in the 2009 *Best Companies to Work for in New York* program. Founded by Gene Raymondi, eni prides itself on dynamic strategies, "...intended to maximize productivity and minimize healthcare costs and absenteeism, all while attracting, motivating and retaining employees" (2009, Best Companies to Work for in New York). Rewards for a job well done is another huge motivator to keep an employee dedicated to a company. eni representatives have worked come up with a variety of ways to reward and recognize successful individual and team oriented work efforts. These rewards range from paid bonuses to winning a free vacation. While financial rewards are always wanted, eni understands that growth potential for individuals is something young professionals look for even more within a company.

eni spends a lot of time and effort making sure that all employees are updated on anything related to the company for which they are working. When employees feel important and part of a team, they are more inclined to work hard. This has also helped to form a positive relationship between employees and management, which is something that all individuals value. eni has also made great strides in developing programs for employees to continue learning about the industry and as a result continuously gaining knowledge. Some of these programs include eni's tuition assistance program for work-related courses, and a succession planning program. Knowing that a company is willing to spend money for you to take academic courses is a huge benefit and proves to employees that the management wants them to never give up learning and growing.

RECOMMENDATIONS

Based on the current research in regards to innovative retention strategies for young professionals, there are a number of recommendations that companies in the Southern Tier should take into account in order to successfully retain young talent. Company representatives must understand that young professionals look for a company that not only assists them in the

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working environment, but also out in the community. Today's young talent needs to feel motivated to work hard, full of growth potential, and engaged with the companies surroundings.

: Diamond Visionics, located in Vestal, New York, can be viewed as a 'model company' in

the local area as it has made tremendous efforts to attract and retain the new generation of working professionals. Offering internship opportunities for university students is crucial for keeping graduates from going back home if they are not from the local area. If young talented people are given exposure to a great industry in the Southern Tier, they are more inclined to consider the possibilities of staying in the local area post graduation. Companies should also be working to advertise themselves by posting current job openings on their own websites, university websites, and online blog sites. This can not only help to attract young professionals from the area to your company, but even individuals outside of the Southern Tier.

Diamond Visionics and eni both represented companies that pride themselves on rewards and recognition in a variety of ways to keep employees motivated. While financial rewards such as bonuses, gift cards, and vacations are always a plus within a company, it is not enough to keep young talent from leaving. Having a positive relationship between management and employees makes the employee feel valued and respected. When a task is done appropriately, employees given a more challenging task keeps them from getting bored and instead continuously growing. If financial capable, businesses like eni that can offer academic courses for educational development and personal growth is a great way to keep young talent since they know that their education did not end after their college graduation.

When it comes to social interaction and engaging the community, I think that companies need to remember that people came to work in an area that they are attracted to and wish to be

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apart of. Due to the fact that the majority of each day typically is in your work setting, businesses must find ways to bring employees into the community. This can be done by forming a relationship with venues such as the Binghamton METS and SENATORS and organizing events for employees and families to attend games together. Perhaps creating happy hours at certain bars in the local area will give young professionals the opportunity to socialize with employees and meet people beyond a work level.

CONCLUSION

With the new generation of young professionals entering the workforce, retention strategies must be reevaluated and expanded on in order to successfully retain young talent within a company. “Employees stay with their employer when they perform valuable work that is free from interference, takes place in pleasant surroundings and when they are appreciated and appropriately compensated” (Sommer, Pg 3). When these needs are not met, an organization is likely to experience a significant amount of employee turnover. With an appropriate retention policy combining the needs of previous generations with Generation Y, businesses including those with the Southern Tier will have the opportunity to flourish economically in the years ahead.

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