+ Models
ORGDYN-630; No. of Pages 9
ARTICLE IN PRESS

Organizational Dynamics (2017) xxx, xxx—xxx

Available online at www.sciencedirect.com

ScienceDirect

journal homepage: www.elsevier.com/locate/orgdyn

Connect and adapt:
How network development and transformation improve retention and engagement in employees' first five years

Rob Cross, Tina Opie, Greg Pryor, Keith Rollag

INTRODUCTION

Your best employees are the lifeblood of your organization. Highly skilled and sought-out by everyone for ideas, help and advice, they help jumpstart innovation and drive change in even the most conservative firms. But many organizations struggle to keep their best employees, especially in scientific and engineering sectors. For example, a Teksystems 2015 survey of more than 400 IT leaders found that two out of five (42%) struggle to retain IT talent, and 67% report that retention is a challenge across all the skill sets they manage.

When your best talent leaves, it's often more expensive and disruptive than you realize. The typical cost of replacing employees is about 1.5 times their individual salaries, and this only includes the expenses of finding, hiring and training their replacement. PriceWaterhouseCoopers has found that turnover costs can represent more than 12% of pre-tax income for the average company, and for those with higher-than-average turnover, costs can be nearly 40% of earnings. Unfortunately, it's not just their expertise that walks out the door. The critical relationships and networks they had cultivated internally and externally to get work done also disappear.

Many leave quickly — a recent study by Equifax found that almost half of those who quit do so within the first year of employment. But the tech leaders we've interviewed also witness a second, more costly wave of attrition that happens in years two through five. By this point organizations have made deep investments in these employees' development, investments it loses along with the disruption to networks and work processes that employee departures create. In the words of one human resource leader in our research: "*If we can get them by the first two to three years, we are likely to keep them for eight to ten. It is huge to get them past that timeframe but we don't invest a lot of effort on this after onboarding.*"

So how do you keep your best new employees from leaving? Most managers and organizations we've studied employ what we call a *human capital* approach to retention. They start by carefully and thoughtfully hiring skilled employees who fit the organization's workforce planning needs and culture. Then they deliver orientation and training to develop new talent into productive contributors. Finally, they use compensation, promotion, and new challenges to engage, motivate and (hopefully) retain critical talent. All of these human capital-based retention practices focus mostly on developing the *individual's* knowledge, skills and role clarity, and then rewarding him or her for performance and loyalty.

This human-capital approach is important and beneficial. In a survey of 454 organizations, Bersin by Deloitte found that large organizations with more comprehensive talent development strategies had 2.3 times higher cash flow per employee over a three-year period. With smaller organizations, the impact was even larger; those with well-designed, comprehensive programs had 13 times higher mean cash flow than their similarly-sized peers.

But it's not enough. Over the past 20 years we've been studying the challenge of retention in dozens of organizations. Many of them do an excellent job of on-boarding and training, and reward their employees better than the competition. But they still continue to lose their best employees. What is missing in their approach? We've come to realize that in addition to a *human capital* approach to retention, organizations need a network or *social capital* approach too.

We've been using a technique called *Organizational Network Analysis* to study how the network of employee relationships inside organizations impacts retention (see Fig. 1).

http://dx.doi.org/10.1016/j.orgdyn.2017.08.003

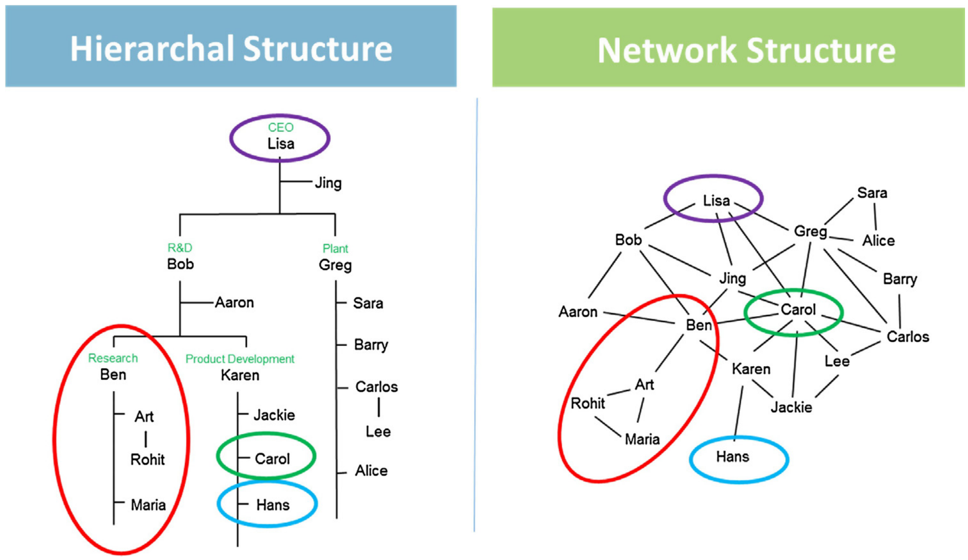

Figure 1 The Power of Organizational Network Analysis (ONA)

In our first phase of research, we conducted social network surveys among thousands of employees at 15 large, well-known organizations. We surveyed entire divisions, business units, or departments, asking each employee to identify those colleagues in their organization with whom they worked closely, gave or received advice, trusted, and other relationship-oriented variables. We also asked individual workers to evaluate their level of job satisfaction and their likelihood of quitting in the near future. Then we combined the survey information with monthly attrition data, and found that the size, range, and type of networks that employees have do impact organizational commitment and voluntary turnover. Of course, we did find that some people left for other reasons — poor fit, bad bosses, unsatisfactory rewards, etc. — but even in those situations network factors often were involved in creating the conditions that influenced people to quit.

Our second phase of work entailed interviewing 160 high performing leaders (80 men and 80 women) across 20 well-known organizations in financial services, software, consumer products, retail, professional services, manufacturing and life sciences. These interviews captured rich stories of how leaders had successfully built and adapted their personal networks to better manage transitions in their careers—both entering an organization and transitioning to a new role in the existing organization. While the first phase of our work identified the kinds of networks that produce loyal employees, the second phase helped us understand how these individuals built, maintained and transformed their networks over time to stay productive, satisfied and committed.

Overall, through our research we found that when it comes to retention *bigger networks were not better networks*. In fact, large networks were often related to turnover. We also discovered that the qualities of an individual's network that were associated with low turnover in an employee's first year were different than the qualities that ensured retention in years two through five. The most successful and loyal employees were able to evolve their networks over time to stay engaged, motivated and committed.

In other words, what matters is helping employees develop the *right network at the right time*. We found that in their first year new hires need networks that jumpstart *productivity* and *inclusion* by helping them:

- Become valued resources that are sought out and "pulled" into the organization (rather than "pushed" in by the new hires proclaiming intelligence or touting their experience from a past working life).
- Engage with similarly-tenured employees for acculturation and a sense of belonging.
- Connect with key opinion leaders in networks for information to help do their job and, just as importantly, benefit from the reputation and legitimacy that accrues through these ties.

In years two through four/five, employees need to transform their networks in ways that drive *collaborative efficiency* and generate a *sense of purpose* in their work. In this tenure window employees need to:

- Craft collaboratively efficient interactions that reduce overload, and create time and space for people to build enterprise-wide networks.
- Engage in collaborations that yield a sense of purpose in one's work.
- Build non-insular networks rich with boundary-spanning ties that make employees more innovative and impactful in the organization.

These insights have proven to be very beneficial to participating companies. By being able to specify what successful "low flight risk" networks looked like—rather than rely on the false assumption that simply a big network is what mattered—these organizations were able to augment their traditional people-development efforts with network-development activities that helped employees replicate the

Please cite this article in press as: R. Cross, et al., Connect and adapt, Organ Dyn (2017), http://dx.doi.org/10.1016/j.orgdyn.2017.08.003