Talent Oversight

# Looking at the New Brand of Employee Loyalty (Or Lack Thereof)

## By Phyllis Deiso

For many companies, human capital is the most important, most valuable, and often most expensive strategic asset. Successful organizations understand this, and most boards today have talent management as an area of strategic focus. While talent management is multi-faceted, significant shifts in the values of the workforce may have broad strategic implications.

Years ago, employees started at and retired from the same company, oftentimes after a tenure of 30 years or more. Furthermore, there was an expectation that employee loyalty would be rewarded with a post-retirement lifestyle afforded by pension benefits that seemed absolute. The employee was loyal, and the company provided long-term opportunities and incentives.

That model has shifted over the past decade or more, and a new set of expectations about careers has developed amid a dramatic shift in societal norms and values.

Today, most employees have little expectation that they will begin and end their career at the same firm. Millennials, as a group, tend to begin their careers with significant student debt and an accompanying desire to quickly maximize their earning potential.

This group has come to expect career gratification sooner—and monetary gratification is just one component. Many are attracted to organizations that promise flexible schedules, put employees first, offer leadership development, provide goods or services that make a positive difference in the world, and a host of other attributes. These expectations often reflect the values of millennials, but what is most untraditional is their willingness to change jobs. This lack of commitment to their employer and resulting turnover burdens corporations with repeated onboarding costs and lost productivity.

Consequently, boards might consider discussing the following questions with the company's chief human resources officer (CHRO):

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- **Does the company value employee loyalty?** In some companies, employee turnover can be a good thing. Some would rather have a multitude of new employees with fresh ideas, no matter the cost. Most want to retain good employees because the turnover cost is too onerous.
- **What is the current status of employee retention?** Numerical data will be available, but this is an area where color commentary is especially valuable in identifying what may be an absence of cultural alignment. In other words, you need to know whether the company culture is designed in a deliberate way to achieve its human capital objectives. How are new employees engaged with the company from the beginning of their careers? Are benefits more appealing in the near term rather than focused on retirement benefits? Is it apparent that the company should be doing more to foster a new paradigm for employee loyalty?
- **Does the board view employee turnover and retention as a risk?** The majority of boards are focused on pressing matters such as industry changes, possible business model disruptions, shifting global economic conditions, and cybersecurity threats. Is the adequacy of human capital a risk that is monitored by the board at a level commensurate with its strategic significance or implications?
- **How does the board monitor the company's strategic plan as it relates to human resources?** In today's environment, should there be a board committee that focuses on retaining employees? Does the CHRO have an adequate budget and use of outside resources to foster a significant and creative retention plan? Does the company's use of technology appropriately resonate with today's employees?

Understanding the new employee loyalty paradigm and how the company's talent management strategy fits with that paradigm requires creative thought, an informed board, and focus. Organizational culture is a market differentiator, and for most companies, culture cannot be built on a foundation of human capital that lacks stability.

Phyllis Deiso is a partner and the national SEC Practice Leader for RSM US LLP.