Loyalty Expectations

Roche Diagnostics improves its loyalty-related qualities to quell employee turnover.

By Dan Sussman

THE TERM "JOB SECURITY" has become an anachronism—as dead as the five-cent nickel. Just ask the thousands of auto workers whose jobs were recently slashed by GM; the unemployed workers who, a decade ago, retrained for the high-tech jobs that are now being shipped overseas; or the Enron employees who watched their livelihoods and their retirement plans evaporate overnight.

So, with the workplace survivors humming The Who's *Won't Get Fooled Again,* and business gurus advising workers to be "flexible" in managing their own careers, is it possible—let alone, reasonable—for companies to expect employee loyalty?

Based on the experience of one major manufacturer of healthcare products, the answer is "yes." By listening to employees' concerns, ensuring that they have the resources to do their jobs, and reducing reliance on contract employees, Indianapolis-based Roche Diagnostics measurably improved employee loyalty and reduced employee turnover.

Employee exodus

Roche Diagnostics manufactures diagnostic products aimed at diabetes care, blood screening, virology, and other medical procedures. The company, which is part of the worldwide Roche Group of healthcare companies, employs 3,500 people at seven locations throughout the United States and Canada. In the late 1990s, Roche officials noticed a disturbing trend that was common to many major employers: Venture capitalists were writing checks for every entrepreneur with a broadband connection and a dream. A handful of those startups snatched up some of Roche's most valuable employees.

"A lot of our most talented people took positions in companies that offered them equity shares," says Roche Human Resources Manager Elizabeth Grusczyk. "Our turnover rose to 15 percent, and that was a little higher than we were comfortable with. So human resources was challenged to reduce turnover and stem the flow of knowledge walking out the door."

Grusczyk, who was put in charge of the initiative, says the company was initially tempted to "throw money at the situation" in the form of increased salaries for coveted employees. However, the company rejected that solution, reasoning that it would be only a quick fix and would do little to stem defections in the long run. Instead, Roche sought to establish a program to identify the factors that drove employee loyalty and engagement, and then to take steps to strengthen those ties.

Company survey

Through research, Grusczyk discovered that Walker Information, a research company also based in Indianapolis, and the Hudson Institute, a Washington D.C. think tank, had studied and reported on company loyalty. Consequently, Roche contracted with Walker to devise a plan of action, and in 2000, it created a pilot plan to measure the company's standing in 10 key loyalty-related qualities. Assessments were carried out via a survey that, in the pilot, was given to employees in the areas of the company that had the highest employee turnover.

"The survey covered employees' day-to-day satisfaction, employee impressions of the company's concern for them, fairness in treating employees, whether they felt they had enough resources to do their jobs, and similar factors," Grusczyk says.

While Walker provided Roche with a template on which to base its survey, the healthcare company customized it to suit its specific needs. For example, Walker typically asks if employees feel that their organizations trust them, but Roche asked the question in reverse as well: "We wanted to know if the employees trust us, so we asked them," says Grusczyk.

The first companywide survey at Roche's Indianapolis campus revealed that it was faring better than many other companies in employee loyalty measures.

"In Walker's methodology, a score of 4.0 indicates a high level of consistency in employee behavior, actions, and engagement. The national average score is 3.35, and we came in at 3.6," says Grusczyk. "Nevertheless, our management had challenged us to be best in class, so there was room for improvement."

Among Roche's first actions was to communicate the results of the survey to workers within six weeks of its completion and let employees know that leaders in each of their business areas would be creating action plans.

"By sharing this information early, people had a sense of the steps involved and when they could expect to hear information specific to their own areas. I think this demonstrates the organization's sincere commitment to taking action based on the feedback," Grusczyk says.

Action plans

Since the first implementation of the program, Roche has conducted two additional employee surveys, each of which has brought the company closer to its 4.0 goal. Among the steps Roche has taken in response to employee feedback was the recent conversion of ap-

Loyalty in the workplace

By Dan Sussman

FOR YEARS, companies have been measuring and, when necessary, enhancing employee satisfaction. But just because your employees are satisfied doesn't mean they won't soon be walking out the door, says Chris Woodard, a consultant with Walker Information. What companies need to do is develop *loyal* employees, he adds.

Walker Information's 2005 study of loyalty in the workplace indicates that 34 percent of employees are truly loyal—an increase of 4 percentage points over the 2003 results and a 10 percent increase since 2001.

Walker defines loyal workers as those who are both committed to the organization and plan to stay with their companies for at least two years.

"Loyal employees have positive attitudes about their companies. They really want to be part of the enterprise, and they exhibit behaviors that indicate they plan to stay with the company,"

says Woodard, who focuses on employee and customer loyalty projects. "They do things like recommending their companies as good places to work, going above and beyond their prescribed duties, and typically resisting offers from other potential employers."

Satisfied employees may be happy with their positions for the most part, but they simply don't behave with the same depth of commitment as the loyal employees, and as a result, they're less likely to stick around for the long haul.

Training and development

One of the biggest factors in employee loyalty levels is the amount of training and development companies provide. "Employees want opportunities to grow, and they want career paths and opportunities to go down those paths," says Woodard.

Also high on the list is the employees' need to be treated fairly. "They want to see policies executed fairly

throughout the company. When that's lacking, animosity builds up. If there is a discrepancy between the way groups are treated in the company, management should at least explain why those discrepancies exist."
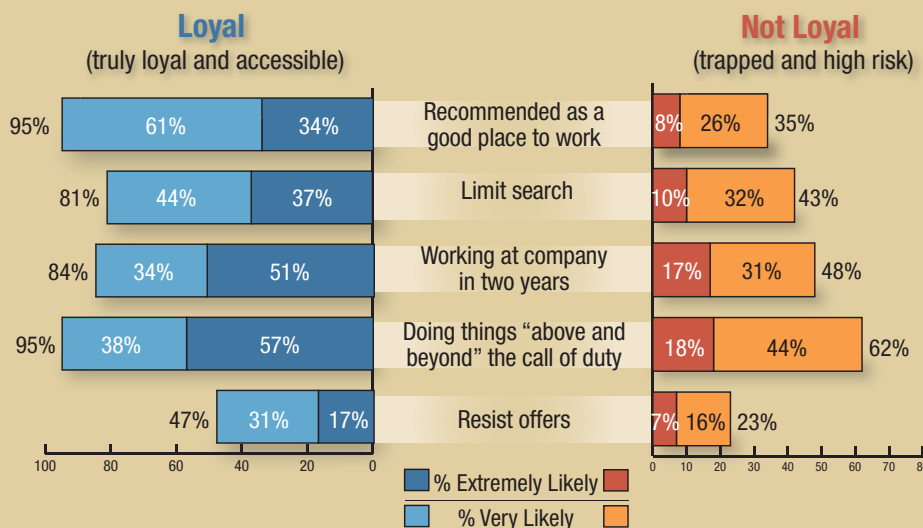
Walker Information's employee loyalty report also found that employees at higher levels in an organization are more loyal than subordinates. For example, 86 percent of executives and senior managers are considered truly loyal, while just 28 percent of individual contributors fall into that category. Also, only 55 percent of respondents stated that their companies have strong, capable leaders.

Employers shouldn't start slapping each other on the back because of the increases in employee loyalty over the past five years. Walker Information notes that its results indicate that more than half of the workforce is not loyal to employers. Woodard acknowledges that, in light of the job insecurity many employees feel today, the overall lack of employee loyalty isn't surprising.

"Sure, overall loyalty has gone up, but we're still dealing with employees who are worried that their jobs are going to be outsourced and they'll be laid off. So you wind up with employees who say, 'I won't be loyal to my employer because they're not loyal to me,'" he says. "You also have employees who lower their expectations and are happy just to have jobs at all. But in the long run, you can't run a company that way."

Loyalty affects behavior

	Loyal (truly loyal and accessible)		Behavior		Not Loyal (trapped and high risk)	
95%	61%	34%	Recommended as a good place to work	8% / 26%		35%
81%	44%	37%	Limit search	10% / 32%		43%
84%	34%	51%	Working at company in two years	17% / 31%		48%
95%	38%	57%	Doing things "above and beyond" the call of duty	18% / 44%		62%
47%	31%	17%	Resist offers	7% / 16%		23%

■ % Extremely Likely (dark blue / red)
■ % Very Likely (light blue / orange)

Source: 2005 Walker Information

proximately 60 outsourced jobs—most of them in production and in the company's call center—to full-time Roche positions.

"This was an effort to address our top priority, which was to improve work or job resources," she says. "It's the one area everyone struggles with, since no one feels he has enough employees or time to complete his work. If you leave people as contingency employees, you tend to get a little more turnover. By making them full-timers, you get more consistency."

Roche also instituted a workforce planning program to help it better anticipate turnovers, retirements, promotions, and other personnel moves, and implemented work and life flexibility programs throughout the organization. These programs include provisions for alternate work schedules, compressed workweeks, and altered summer hours. For employees who can work from home on occasion, the company provides remote access and broadband capability.

"We're also very proud of our onboarding program," says Grusczyk. "We're a large, complex, global organization, and in the past, our orientation for new employees wasn't sufficiently comprehensive. People were missing the connection between their work and the greater good for the organization."

With the new program, new hires are given a more thorough introduction to the company when they walk in the door, and the program also involves the individuals' supervisors and managers.

"Our surveys show that employee loyalty has increased 15 percent in the new employee category, so that tells me that the efforts we put into the onboarding program are having the desired effect," she says.

The most prominent benefit the company has realized since implementing the employee loyalty program is a 50 percent reduction in annual turnover. In addition to being a positive indicator of employee loyalty, reduced turnover has financial benefits, including a reduction in the cost of hiring and training replacements for the departed workers.

And, says Walker Information analyst Chris Woodard, the longer customer-facing employees are on the job, the happier those companies' customers are likely to be.

"If you're a customer forced to deal with new salespeople and account managers all the time, it becomes frustrating," says Woodard, who leads Walker's employee loyalty practice. "In this situation, the customer winds up having to bring the employee up-to-speed versus having a stable employee in there who knows the customer and can take care of his needs quickly."

Grusczyk advises companies seeking to improve employee loyalty to heed the following suggestions:

● Companies need to pay attention to the strengths they already have as well as shore up weaknesses. "If you just try to fix the things that are broken, you never deal with your strengths. We realized that if we could amp up the strong things, think about how much impact this program could have," she says.

● It's not enough to have a "gut level" sense of problems that could be causing employee loyalty to flag. Human Resources departments need to conduct research and then bring hard data to corporate leaders that can convince them to take steps to improve the situation.

Similarly, it's not enough to simply identify the problem areas. "Leaders want information they can act on. Otherwise, the exercise is just time consuming and doesn't get results," she says. **TD**

Dan Sussman is an Arizona-based freelance writer who specializes in technology and business improvement topics; dsussman@cox.net.