

Jim's Profit Accelerator 66: The Risks of Retention

There are standards of leadership excellence that are bunk, such as providing long-term vision, motivating employees, and enabling a problem-solving culture. None of these is the mark of an exceptional leader, in spite of what you've read. But I'd add one more standard to that distinctive list: employee retention.

Here's why: Retention means keeping employees in the company. It's measured by employee turnover and glib surveys that paint over the realities of everyday life in a successful business. Those everyday realities include dying, moving to another city, tiring of a current career, and so forth. As they say, it's not all about you (or your company). Lurking beneath these truths is the hope that proper leadership will create a culture that keeps the good people and weeds out the others. Reality is much messier, probably for the better.

SPEED BUMP: Retention is not always good.

Keeping the best people obviously sounds like a good idea, until you recall the last time you lost one of your "best" people. If you're like most leaders, that loss blew open the window, let in a blast of fresh air, and energized your team in unexpectedly powerful ways. In other words, it was not entirely a bad event.

SPEED BUMP: Bad things often turn out to be good, and good things turn out to be bad.

My wife, an MD for 20 years, spent days trying to decipher the correct answer to a question on a Medical Licensing Board questionnaire. If you're an MD, the Licensing Board has enormous power on your practice, so the right answer matters. When she finally connected with the deputy director of the board, he explained, "Either answer is acceptable. The question is only for statistical purposes."

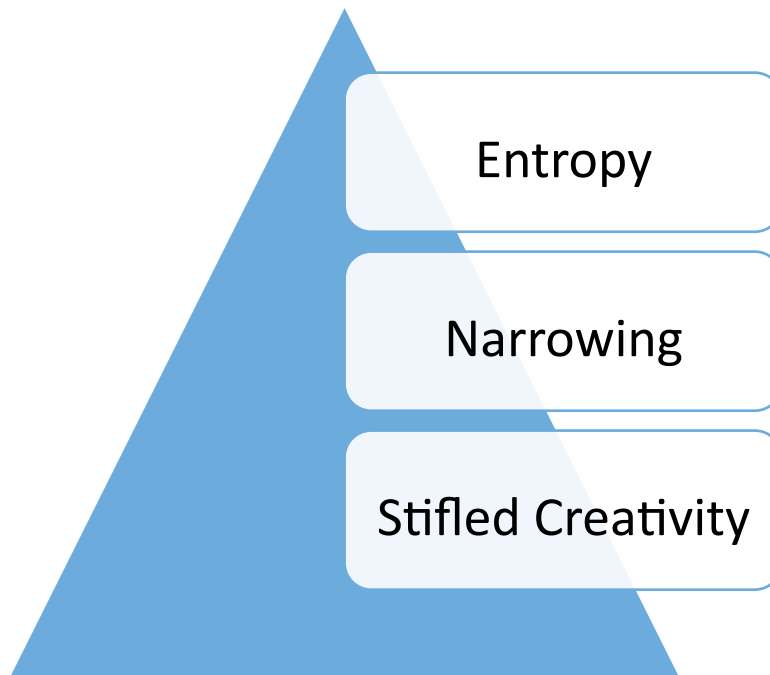
SPEED BUMP: Retention matters when it strengthens the company. Otherwise it's a statistic.

So what are the dangers of improving retention? Here are three:

1. **Entropy:** Business success requires change. Change demands active investment that changes the current state, in the face of entropy. Entropy is the tide-like pull back to the comfortable past. It's why growth is a requirement for survival. Limited change in people, especially mid-level leaders, gradually submits to the pull of habit, of "what's worked here for years."
2. **Narrowing:** Since we are a pattern-seeking species, people will form pictures of what works, and desperately hang on to it. Innovation takes the form of a narrowing of habit, instead of the expansive, confusing and risky path that produced your successful business in the first place.

Rather than endlessly seeking a new inspired item on the menu at your favorite restaurant, why not go to a new place to eat?

3. **Stifling creativity:** Research into creativity shows that when brainstorming includes vigorous criticism of ideas, there is a 25 percent increase in the number of ideas versus brainstorming without criticism. When the same folks work together in the same roles, the benefit of quick response is clear. What's hidden is the more destructive lack of better ideas, of newer paths, of the urgency of change. The comfort of familiarity often comes at catastrophic cost.



ACCELERANT: Where will you aim your retention machine for minimum damage?

For more information on how you can accelerate revenues and profits in your business, please call or email me.

For more information, visit www.grewco.com.

Jim Grew is an expert in CEO-level strategy and executive leadership whose clients refer to him as the Business Defogger and Accelerator. Jim helps leaders swiftly discover the hidden opportunities within their businesses and exploit them for dramatic results. Nearly three decades of success as a COO and CEO coupled with his experience running nine thriving businesses provide the foundation for his consulting work as president of the Grew Company. He presents regularly to industry groups, mentors business leaders, and shares insights on his blog, BizBursts.com: <http://bizbursts.com/>. He holds BA and MBA degrees from Stanford University.

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