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Guide to Big Companies, part 2: Retaining great people

15-19 minutes

Part 2: Retaining great people

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This post is about *retaining great people*, particularly at big companies in industries like technology, where stock options matter and where people can relatively easily move from one company to another.

Actually, I lied. This post isn't really about retention at all.

It's about *winning*.

Let me explain:

Companies that are winning -- even really big, old ones -- *never have a retention problem*. Everyone wants to stay, and when someone does leave, it's really easy to get someone great to take her place.

Companies that have a retention problem usually have a *winning problem*. Or rather, *a "not winning" problem*.

The typical case is a company that used to be a hot growth company, but the growth has flattened out, causing the stock to tank and everyone to be in a bad mood. Or, alternately, an older big company that did really well for a while but more recently hasn't been doing so well, causing the stock to tank and everyone to be in a bad mood.

In other words, a company in transition -- from winning at one point, to not winning now.

The only way a company in that situation can retain great people is to *start winning again*.

Great people want to work at a winner.

All the raises, perks, and HR-sponsored "company values" drafting sessions in the world won't help you retain great people if you're not winning -- not even the $6,000 heated Japanese toilets in all the restrooms, the $30,000 Olympic lap pool out back, and the free $4 bottles of organic orange juice in all the snack rooms.

This seems deeply unfair when you're going through it, because when you're not winning, that's exactly when you need all those great people the most!

Oh well. That's the price we pay for living in a society where jobs aren't for life anymore.

So the right question is, how can we start winning again?

In this post, I'm going to punt on large parts of the answer to that question, as follows:

- I already discussed the big company turnaround scenario in my last post in this series, which describes how to take a big company that is no longer winning and set it up to win again.
- A company that was a hot startup a few years ago and grew fast but is now seeing growth slow has a slightly different problem -- your original product cycle has peaked and you need to find a new product cycle. That's your big challenge, way beyond retention. But I'll talk about that in a future post.

Retention follows from the steps you are taking to orchestrate the turnaround and/or get to the next big product cycle.

Having adroitly sidestepped most of what you need to do, let me now address **some things you *can* do to help the retention situation** while you are addressing the deeper issues required to win again.

First, don't give up. I am particularly talking about the former hot startup that is now a large slow-growth company. It is easy to say, well, we're not a startup anymore, we're not a growth company anymore -- now we're a big company, and we need to change our culture and our methods to attract and retain the kinds of people who like to work at big companies.

Doing that will make your situation far worse, by causing the remaining great people you do have to abandon ship even faster. Who wants to work for a company that has given up on having energy and drive and ambition? And then you will end up with a staff that only knows how to be a big company -- that only knows how to maintain something that someone else has already built -- which is death in any industry where things change all the time.

Second, focus. In a technology company, focus on retaining the great architects and managers. In other kinds of companies, focus on retaining the equivalent people -- the people who are the *magnets* for retaining other great people and hiring more great people.

You have to retain the magnets -- or at least a critical mass of them -- because without them, you're going to lose everyone else.

If you bear down and focus on retaining the magnets, retaining everyone else -- for example, in a software company, the junior programmers, the product managers, the user interface designers, the salespeople, the sales engineers, the marketing staff, and so on -- will be much easier.

Third, clean house. Any company with a retention problem probably also has an overstaffing problem and a mediocrity problem and needs to fix both of those at the same time.

Identify and eliminate the jobs of the following categories of people:

- People who are "vesting in peace" -- so called "VIPs". VIPs are a particular problem at the former hot startup that has plateaued. They suck the life out of their environment and have to go.
- "Summertime soldiers" -- people who only joined in the first place because you were already successful and have no interest in really bearing down and applying themselves to a challenge. Again, a classic problem for the former hot startup. Look particularly hard at the people who joined in the two years following the IPO -- some of them are undoubtedly very hard working, but others are summertime soldiers and have to go.
- Mediocre performers -- every company has some, unless you have been routinely firing your bottom 10% every year, and even then you probably have some.

Taking out the people who fall into these categories will make your remaining great people feel better immediately, *and* will save you a lot of money and stock options that you can reallocate to better purposes -- such as new compensation packages for your remaining great people.

Fourth, promote your best people -- especially into the jobs vacated by the more senior of the people you just fired -- and give them very interesting challenges.

That is so fundamental that I'm not even going to discuss it further here.

Fifth, simplify and clarify your organizational structure to make sure that your best people have direct responsibility for their projects.

Companies coming off a period of significant success usually have grown a lot and/or bought a lot of other companies, and typically have messy or overly complex org structures. This is a great opportunity to clean that up -- and in particular, to move to an organizational model where each of your stars has clear, direct, and comprehensive responsibility for a critical mission.

Nuke all matrices. Nuke all dual reporting structures. And nuke as many shared services functions as you possibly can.

For example, in a software company, break up the centralized documentation group, QA group, build group, etc. and disperse those people into the individual product divisions. Give your product division heads complete responsibility for everything they need to ship great products -- except for sales. And then in sales, give your territory heads everything they need to kill their numbers.

A great general rule of thumb for this kind of organizational redesign is that you want to *tolerate* overlap. So each product division has its own QA team -- so what? Your division heads -- who are now your best people -- will be able to move so much faster that way that it's worth it. Plus, you saved so much money taking out the VIPs, summertime soldiers, and mediocre people that you're still ahead on headcount expense.

Remember, it's generally a good idea, once you do all of this restructuring, to end up with *smaller* team sizes than you had before. By reducing the size of a team, and increasing the average quality level within the team, you will usually speed things up, while saving money.

Finally, be sure to take out layers -- especially at the top of the company. The best people who are now running all the key projects and divisions should be no more than one layer away from the CEO, and usually that means you can take out at least one layer, maybe two, and (shudder) maybe even more.

Sixth, put the recruiters to work, aggressively -- but don't rely on them for everything.

Notably, for the really critical open jobs, go out and recruit the right person yourself, or better yet promote from within.

And here's a neat trick that actually works. Go out and re-recruit the best people who already left. Some of them have since discovered that the grass isn't actually greener at whatever mediocre startup they joined or whatever other big company they jumped to. Give them fat packages against the new mission and get them back.

Seventh, ramp up college recruiting. This will be very important for you over the next couple years. College recruiting is the best way to get a bunch of new fired up people into your company who are hungry and who don't realize quite how badly you suck. (That was a joke.)

Eighth, communicate within -- tell everyone in your company clearly and unambiguously, we are here to win and here's how we're going to do it. *It won't be easy, but we can do it and we will do it, and we will have amazing stories to tell our grandchildren.*

You don't need to be certain of all the answers! Colin Powell says, "You know you’re a good leader when people follow you, if only out of curiosity." So project boldness, and have that glint in your eye where people know you're up to something big.

Ninth, shake things up. Directly on Powell's curiosity point -- change the story to something new. Overhaul the organization, move people around, fire people, promote other people, cancel products, double down on other products, do some acquisitions, cut some big deals, do some spinoffs, whatever -- but change the story. Reintroduce curiosity.

When all else fails, do a "shake and bake" -- do a big transformative deal that you're not sure will work but which you think has a real shot. That will at the *very* least inject energy back into the situation.

I am being deliberately cavalier about this tactic, especially the "shake and bake" part. You can easily destroy your company with this kind of move.

But -- and this is a very important but -- a company in crisis often has a severe narrative or "story" problem that accompanies its business problems, and it can be hard to get people inside and outside the company motivated to reengage without you forcing a dramatic change to the story in some fundamental way.

Stories don't change by themselves. Change the story.

Next topic: how to talk a great person out of going to a startup.

I'm assuming based on all of the above that if you do the blocking and tackling right, you're going to be able to convince a lot of your great people to not go to a different big company.

Talking someone out of going to a startup is a separate challenge.

Someone usually wants to move from a big company to a startup for one or more of the following four reasons:

First, she wants to build a new company instead of being a caretaker in someone else's company.

You can talk someone out of this if you can show her how, if she stays with you for two more years, you are going to *concretely* better train and prepare her to kick butt at a startup when she does make such a move -- particularly if she is on the management track.

Give her a promotion, a big new job with a big new challenge, and clear responsibility. And tell her that if she kicks butt at this more significant challenge, she'll not only be better prepared to be out on her own, but you will personally give her glowing recommendations and help her find the perfect startup or the perfect VC for her -- in two years.

Then, two years later, you can do the same thing again.

I believe you are doing someone a huge favor when you do this. Most startups aren't very good and have no prospect of real success, and most big company people aren't very good at picking 'em, although they never believe that. And by staying, your great person is gaining incredibly valuable experience by taking on new challenges and new responsibilities at your company that will help her succeed and flourish down the road wherever she ultimately decides to go.

It's not that unusual to see a young superstar division head or senior vice president at a big company who has been promoted rapidly over the last several years who has also been periodically on the verge of going to a startup and stayed each time for a new challenge instead. And there she is, running 100 or 500 or 2,000 people and doing incredibly well in her career. Win/win.

Now, if you're not willing to promote 'em, that's another story.

Second, she has a killer idea for a startup, or has fallen in love with a startup's killer idea.

In this case, you're probably better off letting her go to the startup.

This isn't the case nearly as often as you'd think. Some of the startups I've seen great people join -- including very recently -- boggle my brain at how bad the ideas were.

Third, she wants the financial upside of a startup.

Visions of being the next Larry Page (Larriett Page?) are dancing in her head.

You can often defeat this by simply explaining the realities of the compensation package she's being offered.

Explain to her how her options will likely be worthless when the startup fails, how small a percentage of the company she's actually being offered, how much she's going to be diluted by future financing rounds, how far below market her package is overall, and how bad the medical and dental benefits are for her kids. And if she hasn't changed her mind by that point, tell her a cramdown round story.

Fourth, she can't function in a large environment. It's too frustrating, too boring, too many rules, too much management, whatever.

In this case, you are probably also better off letting her go to the startup.

Things not to do when trying to retain great people:

Now we're getting into personal opinion, but for what it's worth...

Don't create a new group or organization within your company whose job is "innovation". This takes various forms, but it happens reasonably often when a big company gets into product trouble, and it's hugely damaging.

Here's why:

First, you send the terrible message to the rest of the organization that they're not supposed to innovate.

Second, you send the terrible message to the rest of the organization that you think they're the B team.

That's a one-two punch that will seriously screw things up.

Instead, focus on boosting the innovation culture of the entire company.

Don't do arbitrary large spot bonuses or restricted stock grants to try to give a small number of people huge financial upside.

An example is the Google Founders' Awards program, which Google has largely stopped, and which didn't work anyway.

It sounds like a great idea at the time, but it causes a severe backlash among both the *normal* people who don't get it (who feel like they're the B team) *and* the *great* people who don't get it (who feel like they've been screwed).

Closing thought:

In general, the intangibles that keep great people are: the quality of the people they're working with, the interestingness level of their projects, and whether they are learning and growing.

The tangibles are: winning, and a high stock price.

As the leader, you have to really believe that you can get your company back to winning and therefore back to a high stock price.

If not, you should sell the company.