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Increasing human and social capital by applying job embeddedness theory

BROOKS C. HOLTOM

TERENCE R. MITCHELL

THOMAS W. LEE

Seasoned leaders know there is no single silver bullet, golden handcuff, or platinum program that will keep their best and brightest employees productively engaged for the long-term. Yet, it is imperative that they find a way to do so. Recent studies indicate that the attraction and retention of valued employees are among the most critical issues faced by organizations. Replacement costs for employees can be higher than the salary of the person departing. In addition, the social relationships formed by employees inside and outside the organization are believed to create social capital, a resource that is being increasingly recognized as crucial for success in today's organizations. When a valued person leaves a firm, the social network is disrupted and presumably some of the social capital leaves as well.

Mounting empirical evidence also points to the importance of developing human capital as a strategic means for increasing firm value. While unpacking this relationship can be complex when attempting to cut across multiple industries, understanding the logic in the context of a single firm is not. Please consider the following example. Wegmans Food Markets Inc., a Rochester, New York-based grocer, was 2005's *Fortune* Best Company to Work For. As a private firm, Wegmans does not provide extensive financial data for analysis. Suffice it to say that the firm's

operating margins are about 7.5 percent – double what the big four grocers earn – and its sales per square foot are 50 percent higher than the industry average. While its stores are larger than average and they stock more products than most other grocers, top consultants point to Wegmans employees as the key to the company's success. Darrell Rigby, head of consultancy at Bain & Co.'s global retail practice, notes that the reason Wegmans is a shopping experience like no other is that it is an employer like no other. You cannot separate its strategy as a retailer from its strategy as an employer.

While Wegmans' salaries and benefits are at the high end of the market, employees say this isn't the whole story. The firm makes strategic investments in its people. Before opening its Dulles, Virginia store, Wegmans spent more than \$5 million to train new employees there. Moreover, initial training is supplemented in many ways, including sending employees on company-sponsored trips; staffers merchandising wine and cheese might travel to France and Italy to see the vineyards and observe the cheese makers. While much of the investment is directly related to Wegmans core business – people who know how to pair wine, crackers and cheese tend to sell more product than those who don't – Wegmans has also contributed \$54 million for college scholarships to more than 17,500 full-time and part-time

Acknowledgement: The authors sincerely appreciate the excellent research assistance rendered by Michael Karamat and Michael Masterson, who are students at Georgetown University.

employees over the past 20 years. While it may be difficult to calculate the near-term return on this investment, it appears to pay generously, as employees see a future with Wegmans – over half of the store managers started working for Wegmans as teenagers. About 6000 (20 percent) Wegmans employees have 10 or more years of service and over 800 have 25 or more years. Not surprisingly, its annual turnover is just 6 percent, a fraction of the 19 percent figure for grocery chains with a similar number of stores. This has a substantial impact when you consider that the supermarket industry's annual turnover costs can exceed its entire profits by more than 40 percent according to the Coca-Cola Retailing Research Council.

The key point to take away from the Wegmans example is not that companies should sponsor wine and cheese excursions if they want to keep their best and brightest. The key point is that Wegmans invests strategically in its people, and that investment communicates to its employees important messages that influence their desire to stay with the firm. For more than a decade, we have carefully researched the reasons why people stay with or leave their employers. We have not found one universal key to success. However, after interviewing hundreds of people, surveying thousands more and then analyzing tens of thousands responses, we have developed a framework for understanding how a company can increase the probability its employees will continue to contribute to the firm's success for the long-term.

Not all firms will use the same methods to attract and retain top talent – even firms in the same industry. What firms can do to keep their people will depend in part on business strategy, organizational culture and systems, and the people themselves. As demonstrated by a number of leading human resources (HR) scholars over the past decade, it is imperative that a firm's HR strategy be aligned with its business strategy. Firms that follow an operational excellence strategy (e.g., Federal Express Corp., Nucor Corp., Wal-Mart Stores, McDonald's Corp.) need a workforce that identifies with business

processes, is trainable, can learn rapidly, willingly follows the battle plan, is short-term focused, seeks to minimize waste and is driven by incremental improvement. In contrast, firms that concentrate on product (or service) leadership – such as Merck & Co. Inc., 3M Company, Intel Corp., Apple Computer Inc., Nike Inc. – create competitive advantage through innovation. Consequently, their workforces must value discovery and excel at the creative process. The best employees will challenge the status quo, have a longer term focus, love learning and possess a willingness to take risks. Still different, firms that compete successfully through valuing customer intimacy (e.g., Four Seasons Hotels, Inc., The Home Depot Inc., and Dell Computer Corp.) offer unique solutions customized for their clients. This workforce identifies readily with customers, shares ideas easily, is adaptable and flexible, and seeks out customer intelligence.

As should be clear from the foregoing discussion, employee competencies vary across business strategies, and it is likely that their needs, desires and values also vary. Thus, practices that promote retention for one firm may not be as effective for another. The key issue is alignment between business strategy, workforce, culture and systems (e.g., selection, performance appraisal, compensation).

The purpose of this paper is to draw on research findings and extensive real world examples to demonstrate the practical benefits of implementing our ideas in an organization. We will first discuss traditional approaches to employee retention. Then we will discuss our framework – job embeddedness. Finally, we will provide many examples of how firms apply job embeddedness theory.

EMPLOYEE RETENTION

Though an employee may feel some immediate relief when severing employment, the choice to leave a job is often a stressful and difficult one. The personal cost can be high in terms of uncertainty, transition adjustments

and disrupted social networks. Further, the cost to the organization can be enormous. The company may lose knowledge or expertise, experience a decrease in customer service, and suffer poor communication and coordination. Replacements need to be recruited, selected, trained, gain experience, and become socially integrated before they make substantial contributions. Consequently, failure to systematically address retention issues is likely to have a negative long-term impact on corporate performance.

Retaining highly skilled workers who transmit and combine complex information is important to organizations; however, it is important to retain lower skill workers as well. Given that 82 percent of the jobs in our economy are in the service sector and that the majority of those jobs require relatively low-skill workers, we believe that seeking a comprehensive understanding of the value of social capital and job embeddedness in organizations employing large numbers of service workers is important.

Over the past half century, psychologists and management researchers have focused on two major factors as causes of employee retention: job satisfaction and job alternatives. People who are satisfied with their jobs (e.g., evaluate positively their pay, supervision, chances for promotion, work environment and tasks) will stay, and those who aren't will leave. Also, given the same level of dissatisfaction, people with more alternatives will be more likely to leave than those with fewer alternatives.

Considerable research has explored these relationships in detail. There are many causes of job satisfaction – such as job enrichment, good supervision, clear roles and met expectations. Dissatisfaction is associated with job stress, repetitive work, role ambiguity and role overload. Economic factors, such as pay, benefits, and other financial rewards influence job satisfaction, as do structural and procedural factors reflecting autonomy or fairness. In terms of what initiates the turnover process, job dissatisfaction has been described as the most important and frequent cause. Thus, it is good, solid advice to design

jobs and manage work environments to maintain a high level of job satisfaction.

Once dissatisfaction sets in, an employee presumably looks around for other work alternatives. The employee may conduct a job search and uncover some interesting options. Both perceived and actual alternatives can influence this process. At this point, it appears that the underlying thought is “I intend to leave.” If alternatives are judged to be favorable in comparison to the present job, the person is predicted to leave. If not, the person stays. Thus, attitudes about one's current job and the availability of alternatives are seen as the antecedents for voluntary turnover. Satisfied employees will be less attracted by alternative jobs.

Even though the research results have been relatively weak, this prevailing wisdom has remained relatively unchanged for 50 years. In sum, a person's perceptions about alternative job prospects combined with his or her job satisfaction and organizational commitment has represented the dominant approach to understanding voluntary employee turnover.

One final comment on the academic literature is necessary. In most cases, staying is seen as the simple obverse of leaving. That is, people who are satisfied with their jobs and/or have few alternatives will remain on the job. A relatively recent and influential review article concluded that “relatively less turnover research has focused specifically on how an employee decides to remain with an organization and what determines this attachment.” This point is critical for our work because we believe that staying and leaving involve different psychological and emotional processes. Put differently, we believe that accumulated social capital and job embeddedness are critical reasons why people stay in firms, and they may be as important – or more important – than “staying due to job satisfaction.”

JOB EMBEDDEDNESS

On the basis of findings from prior research – coupled with extensive individual interviews,

focus groups, and surveys of thousands of individuals – we have developed a theory of employee retention that we call job embeddedness. Job embeddedness represents a broad set of influences on an employee's decision to stay on the job. These influences include on-the-job factors, such as bonds with co-workers, the fit between one's skills and the demands of the job, and organization-sponsored community service activities (e.g., your plant sponsors quarterly neighborhood clean-up days). It also includes off-the-job factors, such as personal, family and community commitments. Research in a variety of settings (ranging from a community hospital to a *Fortune 100* bank to a state department of corrections) has demonstrated the value of the job embeddedness concept. In brief, job embeddedness is a stronger predictor of important organizational outcomes, such as employee attendance, retention and performance than the best well-known and accepted psychological explanations (e.g., job satisfaction and organizational commitment).

Job embeddedness captures a broad range of ideas that influence employee retention. One way to think about a person's life is to visualize a net or a web created by strands connecting the different parts of one's life. A person who has more roles, responsibilities, and relationships would have a more complex web than someone who had fewer. We would say that the person with the more complex web is more embedded in a situation; a person with more strands connected to her job would be more "job embedded." The person with the more complex web would experience more disruption in the web if she severed ties at a central intersection in the web. For example, when a person quits a job where she has many close friends, has children enrolled in on-site, employer-provided day care, and is the lead manager on a critical project, she is likely to encounter considerable disruption in her web. Leaving that job will likely entail making multiple adjustments to her life and routine; these switching costs are real and more than simply economic. Consequently, the decision to leave will likely require extensive delibera-

tion and the act of leaving immense effort. In contrast, a person who has a job that is relatively isolated, with few friends or connections to other projects or people will experience considerably less disruption in his web if he chooses to leave. Deliberation about leaving as well as the actual act of leaving will be relatively easy.

We believe a person can become embedded in a job in a variety of ways related to both on- and off-the-job factors. The critical aspects of job embeddedness are the extent to which the job is similar to, or fits with the other aspects in his or her life, the extent to which the person has links to other people or activities, and what he or she would give up by leaving – the perks, benefits and other aspects of the job they value, such as a safe or pleasant work environment. These dimensions are called fit, links and sacrifice (Table 1).

Fit is defined as an employee's perceived compatibility or comfort with an organization and with his or her environment. According to the theory, an employee's personal values, career goals, and plans for the future must "fit" with the larger corporate culture and the demands of his or her immediate job (e.g., job knowledge, skills and abilities). In addition, a person will consider how well he or she fits the community and surrounding environment. Job embeddedness assumes that the better the fit, the higher the likelihood that an employee will feel professionally and personally tied to the organization.

Links are formal or informal connections between an employee and institutions or people. Job embeddedness suggests that a number of threads connect an employee and his or her family in a social, psychological, and financial web that includes work and nonwork friends, groups, the community, and the physical environment where they are located. The higher the number of links between the person and the web, the more an employee is bound to the organization.

Sacrifice represents the perceived cost of material or psychological benefits that are

TABLE 1 JOB EMBEDDEDNESS DEFINITIONS

Construct	Description
Job embeddedness	Job embeddedness represents a broad array of influences on employee retention. The critical aspects of job embeddedness are (a) the extent to which the job and community are similar to or fit with the other aspects in a person's life space, (b) the extent to which this person has links to other people or activities and, (c) what the person would sacrifice if he or she left. These aspects are important both on (organization) and off (community) the job.
Fit-organization	Fit-organization reflects an employee's perceived compatibility or comfort with an organization. The person's values, career goals and plans for the future must "fit" with the larger corporate culture as well as the demands of the immediate job (e.g., job knowledge, skills and abilities).
Fit-community	Fit-community captures how well a person perceives he or she fits the community and surrounding environment. The weather, amenities and general culture of the location in which one resides are relevant to perceptions of community fit.
Links-organization	Links-organization considers the formal and informal connections that exist between an employee, other people, or groups within the organization.
Links-community	Links-community addresses the connections that exist between an employee and other people, or groups within the community. Links-community recognizes the significant influence family and other social institutions exert on individuals and their decision making.
Sacrifice-organization	Sacrifice-organization captures the perceived cost of material or psychological benefits that may be forfeited by leaving one's job. For example, leaving an organization likely promises personal losses (e.g., giving up colleagues, projects or perks). The more an employee gives up when leaving, the more difficult it is to sever employment with the organization.
Sacrifice-community	Sacrifice-community is mostly an issue if one has to relocate. Leaving a community that is attractive, safe and where one is liked or respected can be difficult. Of course, one can change jobs but stay in the same home. But even then, various conveniences like an easy commute or flextime may be lost by changing jobs.

forfeited by organizational departure. For example, leaving an organization may induce personal losses (e.g., losing contact with friends, personally relevant projects, or perks). The more an employee will have to give up when leaving, the more difficult it will be to sever employment with the organization. Examples include nonportable benefits, like stock options or defined benefit pensions, as well as potential sacrifices incurred through leaving an organization like job stability and opportunities for advancement. Similarly, leaving a community that is attractive and safe can be difficult for employees.

In sum, job embeddedness is theorized to be a key mediating construct between specific on-the-job and off-the-job factors and employee retention. It represents the accumulated psychological and other reasons why an

employee would stay on a job. In our first publication addressing job embeddedness, published in the *Academy of Management Journal* (AMJ), embeddedness was presented conceptually and shown to predict voluntary employee turnover over and above job satisfaction and organizational commitment in a grocery store chain and community hospital. In the next publication, conducted with employees in a large bank (also published in AMJ), regression analyses revealed that off-the-job embeddedness was significantly predictive of subsequent voluntary employee turnover and volitional absences, whereas on-the-job embeddedness was nonsignificant. Also, analysis showed that on-the-job embeddedness was significantly predictive of organizational citizenship and job performance, whereas off-the-job embeddedness

was nonsignificant. In addition, embeddedness moderated the effects of absences, citizenship and performance on turnover.

Interesting work by David Allen proposed that socialization tactics influence newcomer turnover by embedding newcomers more extensively into the organization. His ideas were tested with a sample of newcomers in a large financial-services organization. Results revealed that socialization tactics enable organizations to actively embed new employees; collective, fixed, and investiture tactics were positively related to on-the-job embeddedness. Results also indicated that on-the-job embeddedness is negatively related to turnover and mediates relationships between some socialization tactics and turnover.

In addition to looking at why people stay on a job, we also have developed new ways of thinking about why people leave organizations. Our approach to how people leave, called the *Unfolding Model*, was presented conceptually in 1994 in the *Academy of Management Review*. It was then tested and refined in tests involving nurses and Big Five accountants (1996 and 1999 articles in the *Academy of Management Journal*). The important implications of that work for the present proposal is that the unfolding process of leaving over time is often initiated by particular events called "shocks" (instead of job dissatisfaction) and these events occur both on the job (e.g., fight with a co-worker) or off the job (e.g., unsolicited job offer or spouse relocation).

In more recent work, we have integrated the unfolding model of turnover (why people leave) and job embeddedness (why people stay) to obtain a more comprehensive picture of organizational attachment. In a large national study of stayers and leavers across hundreds of employers, we found, as expected, that stayers were found to have the highest levels of job embeddedness. We also found that job embeddedness tended to buffer an individual from shocks. Given a particular shock (e.g., restructuring), employees who were embedded were less likely to leave than those who were not embedded.

In sum, there is ample evidence that the reasons why people stay in a job are not the

simple obverse of the reasons why they leave. Thus, while we believe that firms should seek to understand and address the reason why people leave, in an effort to help firms look forward to the future to strategically increase the probability that people will stay, we strongly encourage use of the knowledge generated by the job embeddedness framework. The next section provides examples of efforts by various firms that we believe address the six sub-dimensions of job embeddedness.

FIT IN THE ORGANIZATION

The first place to focus in building fit in the organization is in the recruitment and selection process. Faced with annual turnover of 127 percent among patient intake specialists, Little Rock's Arkansas Children's Hospital sought to improve its hiring methods. By focusing on the most important skills (in this case people skills rather than typing speed) and then using role-play exercises to gauge how well applicants liked working with the public and whether they had personalities that would reassure frightened children and anxious parents, they were able to improve the *fit between the specialists and their job*, reducing turnover to 15 percent annually in the process.

An example of building organizational fit into the entry process is the use of *pre-employment surveys*. Chickfil-A, a \$2 billion dollar a year company that has posted 38 consecutive years of system-wide sales gains, uses technology to systematically capture information about the characteristics of their best employees and then uses that data to guide future hiring. The preemployment surveys capture information about personality, motivation and honesty. Chickfil-A also conducts and captures information from exit interviews to learn how to improve in the future.

The Container Store tries to develop a company culture that makes people eager to come to work everyday. One key to achieving this goal is to provide their people with

industry-leading training A full-time employee will receive 241 hours of training in her first year. A part-time worker will get 152 hours, including a two-hour philosophy course on customer service. Store employees train for at least 2 weeks before they get to wear the uniform apron. Once trained, however, they are given extensive autonomy. Every salesperson in the store has a key to the till and can make any decision a customer needs. No manager is needed to approve exchanges or refunds—a clear sign that the Container Store trusts the judgment of its salespeople. In short, the Container Store trains its people so that they clearly have the skills and requisite abilities to do their jobs (a good fit) and trusts them to demonstrate that.

Quicken Loans Inc., the largest online mortgage lender in the U.S., has been on the *Fortune 100* Best Places to Work For list a number of times. According to its founder and chairman, Dan Gilbert, the key to the company's success is a culture that emphasizes communication across the board, and in which everyone shares ownership of the goals. All new team members attend an intensive 2-day orientation to introduce them to the company, its history and philosophy. Gilbert speaks at every orientation. His message is consistent, "We empower our team members to take action and make decisions; to do what's right on behalf of our clients. But in order to do this, they need to *understand our culture and our philosophy* because once you understand that it makes your decisions easier." The training and socialization are designed to increase an employee's understanding of, and fit with, the culture.

Richer Sounds is an electronic retail chain in the U.K. Its success depends on knowledgeable employees who support products by enthusiasm rather than a hard sell. So, it goes to great lengths to develop and keep staff with industry knowledge and passion. Richer Sounds deliberately *promotes from within* at every opportunity. They also provide *financial rewards to employees who refer a new staff member* to the company. This

ensures a flow of like-minded music and video technology enthusiasts. Not only does Richer Sounds enjoy a low level of turnover, its stock shrinkage averages less than .5 percent compared to an industry average between 3 and 4 percent.

Despite market-competitive salaries, Nordavionics – a Canadian aerospace company – was losing talented engineers. So, it conducted a study to find out what it could do to keep them. The study revealed that the most significant impact on satisfaction and retention could be made by providing *challenging work and professional growth*. So, its leaders designed a strategy to spread high-value work to all engineers. Now, after an engineer has completed a specific assignment, he or she evaluates the work to validate the categorization and difficulty level assigned by the manager. Using this information, Nordavionics can start to match tasks and engineers in a way to foster both efficiency and employee retention. The same system also is linked to training and development plans. In short, Nordavionics pays close attention to the career aspirations of its people and helps them to find a way to *meet their long-term career goals*.

Similarly, Kraft Canada has created an *Individual Development Plan (IDP)* for each of its employees. The IDP helps employees map out future career moves and provides managers with comprehensive documentation of employee progress within the company. At least twice per year, employees and their managers meet formally to discuss career objectives and build development plans. During those meetings, they discuss what sort of training employees want and where they would like to make their next career moves.

FIT IN THE COMMUNITY

North Shore Bank, a community bank operating in Wisconsin, has reduced its turnover among customer service representatives and personal bankers by *recruiting mostly heavily*

in neighborhoods closest to its branches. By hiring people primarily from the local communities, North Shore has also increased its ability to provide services in the first language of nonnative customers who often live in the ethnically concentrated neighborhoods. Additionally, North Shore has sought to *provide employees with information about as well as encouraged involvement in community activities*, such as parades and festivals. This involvement in local communities not only serves to help employees feel integrated into their communities but also helps customers identify important differences between their local bank and the large national banks.

Sandata Technologies Inc., a computer software company in New York, seeks to *help its employees get settled in their community.* For example, it offers assistance to foreign employees as they wade through the Immigration and Naturalization Service process to obtain visas and green cards. It also provides courses in English as a second language. Sandata holds drawings for local fairs and shows as well as professional sporting events.

Other firms consider *locating offices so they are convenient for commuting or near affordable housing.* An excellent example of this practice is Northwestern Mutual, a financial-services firm based in Milwaukee, Wisconsin. Its leaders mapped where its employees lived and used that as a key input into the location of its second corporate campus, so as to reduce commute times.

LINKS IN THE ORGANIZATION

Connections to people and projects can have powerful retention effects. One example of this comes from Citibank's Asian banking unit. A thoughtful manager created a "*pulse lunch*" program that has resulted in lower turnover – a program that now operates across 102 countries. The essence of the pulse lunch is for the manager to listen to employee concerns – taking their pulse – and then act

on the concerns. Interestingly, the branches that implemented pulse lunches have also shown measurable and meaningful increases in customer loyalty.

On a different continent but with a similar goal, Appleby's International Inc. – the U.S.'s biggest casual-dining chain by number of stores – sought to reduce turnover by ranking its hourly employees and then *rewarding managers for retaining their better workers.* One way that the managers have addressed this challenge is by holding "*get to know you dinners*" for all new staffers. This helps to create a personal connection with the manager. Also, managers have sought to provide employees with input into decisions like scheduling. These strategies should increase an employee's ties with the manager and with the job.

There are a variety of ways to help employees get connected to co-workers and managers. Pannone and Partners, a U.K.-based law firm recognized for its high staff satisfaction and retention rates, *provides gym memberships so that employees can work out together* and carpool to the office. They also *sponsor social events* like barbecues, shopping weekends, and "cake days." Across the pond, CPA firm Stout, Causey & Horning (SC&H), provides weekly happy hours, in-office ice cream carts, nightly dinners during busy season, and several annual employee parties. For the past 9 years, all partners and employees have been invited with a guest for a 5-day *excursion* to exotic locations. Last year's trip was to the Atlantis resort in the Bahamas. In a field known for its long hours and repetitive work, SC&H strives to ensure its employees feel linked to their co-workers and to the clients they work for – a group that highly values continuity in their service providers.

Other organizations use technology to link people together. One example is Chase Capital Partners, a New York-based global venture capital organization. Chase Capital has used an internet-based tool developed by Perform.com, a technology company that helps companies manage and develop their people. The tools primarily help *keep employees connected to their mentors* even when separated

by great distances and unpredictable schedules.

LINKS IN THE COMMUNITY

Though there may be relatively few things that a firm can do to explicitly increase the number of links a person creates with the community, there are a number of things that the firms can do to facilitate and/or strengthen the links. Many firms get actively involved in local charitable causes by donating materials or services, hosting events at their facilities, or sponsoring events held in community venues. Other firms provide time off to their employees to allow them to volunteer in their communities. Fleet Mortgage Group lets employees take 2 days off per year for volunteer work to increase community outreach. Patagonia Inc.'s School Support program allows employees to take 5 workdays off during the school year to participate in kids' classroom activities. Patagonia also has an environmental internship program: a 2-month paid sabbatical for employees who want to take time off to work for a nonprofit environmental organization.

Some firms make it even more personal. Bill Emerson, the chief executive officer (CEO) of Quicken Loans, sends hand-signed birthday cards to all employees and sends their children cards and gift certificates on their own birthdays. Last year, their annual summer barbeque featured the company's first "Pinewood Derby" contest – with more than 60 cars that participated in the race hosted in the company's parking lot. Tickets to local concerts and events were given as prizes.

SACRIFICE ASSOCIATED WITH LEAVING THE ORGANIZATION

Great employers are often known for their great benefits. Such firms offer flexible plans, as well as generous health, dental and vision care contributions. Their retirement programs (e.g., 401(k) matching programs) help

employees plan for and fund their futures. Many firms offer profit sharing or stock options or tuition reimbursement. There is no question that these benefits attract potential employees to apply at firms that offer generous benefits. Moreover, sacrifices incurred by leaving an organization are often the "issues" most mentioned by employees and employers alike when discussing employee retention. While pay clearly is an important reason why most people work, numerous studies demonstrate that pay levels and pay satisfaction explain relatively little variance in actual turnover behavior. There's little dispute that, in the short-term, bonuses and raises improve a firm's ability to retain talent. However, there are natural limits on how much a firm can pay its people and remain competitive over the long run (e.g., the ability to raise prices for products or services). Thus, wages often converge within industries. So, while helpful, paying people well is typically not enough.

Perks that are unique to a firm can help it differentiate itself. For example, FedEx names its planes after its employees' children. Others, like SAS Institute, offer extensive on-site services designed to make life easier for its employees, such as automobile oil changes and detailing, laundry service, massage, child care and preschool, extensive athletic facilities and medical care. Griffin Hospital provides family-style kitchens with meal service, strolling musicians, and chair massages. Adobe Systems Inc. offers a fitness center with trainer, seasonal farmers' market, basketball and bocce courts, and a private office for almost every worker. JM Family Enterprises gives free prescriptions filled by a "pharmacy concierge," professionally made take-home dinners, and cruises on the company yacht.

Deloitte Consulting has one of the lowest turnover rates in the professional services consulting industry. Its success is not attributable to any one program, but instead to a suite of family-friendly options. First is a 3-4-5 travel policy for consultants on out-of-town assignments. The policy promotes three nights away from home, 4 days at the client

site and the fifth day in the Deloitte offices working on client projects. This *policy ensures that consultants spend more nights at home than in hotels*. The program is so critical to the firm that it is included in partner and senior manager performance evaluations. Additionally, Deloitte offers *flexible work arrangements*. This allows promising professionals to continue building their careers even when they may need more time for their personal lives. Deloitte also offers *extended parental leave for men and women as well as sabbaticals*. Additionally, through an outside contractor, they offer resources and referrals for childcare, education, adoption, eldercare and self-care.

In addition to the positive effect of flexible schedules on retention, new research also indicates that parents who are stressed about their children's after-school arrangements are more likely to make mistakes at work. Specifically, workers who are feeling stress are more than three times as likely to report high levels of job disruption. Further, parents with high stress levels miss about 8 days of work a year, compared with low-stress parents, who miss only about 3 days. So, while organizations must be careful about how they implement these programs so as to be able to meet business and client needs, clear evidence is emerging to confirm the expected benefits of providing workers flexibility in scheduling work hours.

Accounting firm Ernst & Young recently announced that it is extending 4 3-day holidays to include a fourth day, and Thanksgiving was extended to 5 days off to give people an opportunity to relax and *spend more time with family and friends*. Its vacation policy was also amended to offer more flexibility to people in managing the diverse demands on their time.

SACRIFICE ASSOCIATED WITH LEAVING THE COMMUNITY

One of the most on-point examples of a firm seeking to connect its employees with their community is Northwest Community Hos-

pital in Arlington Heights, Illinois. It provides full-time employees who earn less than \$70,000 a year with \$5000 *toward a down payment on a first home*. Employees must stay with the hospital for 5 years or they will have to pay back part of the money. Homes also must be within 10 miles of work. Nationally, 20 percent of employers helped with mortgages or down payments in 2004 (up from 9 percent in 2000), and 19 percent offered rental assistance (up from 5 percent in 2002) according to the Society for Human Resource Management. The types of such assistance can vary from employers providing help with the down payment to *credit counseling, introducing respected real estate agents, and partnerships with nonprofits that help employees navigate the home-buying process*—all benefits offered by insurance provider, Aflac Inc.

Others, like Marriott International Inc., have provided mentors, job coaches, or some type of “buddy system” to help welfare recipients entering the job force to learn skills needed for their jobs as well as *extra help with child care and transportation to and from work*. The research done on these programs indicate that the returns are positive because of the high level of retention.

We recognize that not all benefits discussed are viable for all companies to provide. The key is for each firm to offer the highest value for the lowest cost based on the unique and diverse needs of its people. This implies knowing what employees value (e.g., through surveys, focus groups, etc) and the long-term benefits that are expected to be derived from implementing these strategies as well as understanding the cost. A summary of our ideas for embedding people in the organization based on these six dimensions is captured in [Table 2](#).

FORTUNE 100 BEST COMPANIES TO WORK FOR

Given that many companies make considerable efforts to make their work environment excellent, we were interested in looking

TABLE 2 WAYS TO INCREASE JOB EMBEDDEDNESS

Dimension	Application
Fit-organization	<ul style="list-style-type: none"> • Provide extensive information to recruits about career opportunities within the organization • Use realistic job previews • Select employees whose values fit with the organizational values • Provide socialization opportunities to newcomers that allow them to meet and get to know other employees, especially group or team members • Encourage employee input into decisions that directly affect them • Assist employees in career planning • Provide training and development opportunities that help employees meet their long-term career goals • Involve employees in developing schedules that fit their needs (full-time or part-time status, shift, hours)
Links-organization	<ul style="list-style-type: none"> • Allow employees to choose which teams or projects to join • Provide mentors to sponsor and coach new or young employees • Facilitate peer recognition • Provide opportunities for knowledge sharing among employees to improve customer service and skill development • Offer employee referral bonuses • Sponsor mothers networks for current and former employees and provide other on-ramping assistance
Sacrifice-organization	<ul style="list-style-type: none"> • Provide creative benefit alternatives or cafeteria plans, tailoring benefits to meet individual needs and enhance work/life balance • Provide incentives or perks based on tenure • Allow employees input in designing work environment and company celebrations • Provide on-site child care • Support telecommuting and other family-friendly work arrangements • Pay well • Contribute to retirement funds generously (e.g., 401(k)) • Share profits • Offer restricted stock grants or stock options • Allow personal use of company car
Fit-community	<ul style="list-style-type: none"> • Recruit mostly heavily in markets/communities surrounding facilities • Avoid relocating employees as much as possible • Provide employees with information about community activities and resources • Locate new facilities near employees or commuter lines
Links-community	<ul style="list-style-type: none"> • Support community service by employees (e.g., 2 days off per year for community service), especially projects undertaken by employee groups • Promote employee involvement in local schools (e.g., as mentors) • Encourage involvement in community-based civic or professional organizations • Sponsor little-league teams for children or sports teams in community leagues for employees • Provide English as a second language classes for nonnative language employees
Sacrifice-community	<ul style="list-style-type: none"> • Promote people without requiring transfer • Provide home-buying assistance • Offer local transportation assistance

specifically at the outcomes associated with being one of *Fortune's* 100 Best Companies to Work For in terms of voluntary turnover. Based on our analysis of the 2005 winners, we found the following:

1. The average turnover rate for all U.S. companies for the period (calendar year 2004) for all industries was 20.2 percent.
2. The *Fortune 100 Best* (companies are recognized in January 2005 for 2004 results)

averaged 10.5 percent turnover or just over half (52 percent) of the turnover rate as their industry peers (per U.S. Department of Labor data; matched by SIC code).

3. In every industry represented in the 100 Best, turnover was lower than the average of industry peers.

4. The Department of Labor industry averages (per SIC code) for annual turnover range from 10 percent (education) to 47 percent (accommodations and food services).

5. When the data were analyzed on a weighted-average basis (by number of employees), the same basic pattern of results was observed.

6. The percent of national average turnover per category for the 100 Best ranges

from 16 percent (other services) to 89 percent (finance and insurance). Most of the 100 Best Companies averaged about 48–58 percent of the national rate.

7. Fifty of the 100 Best have turnover rates in the single digits (less than 10 percent).

8. Among some large service-industry employers in the sample (leisure and hospitality; accommodation and food services) the turnover rates averaged approximately 32–36 percent of national rates. This creates a huge competitive advantage for companies like Marriott and Four Seasons.

So what is it that these companies do to create low rates of turnover? Table 3 provides extensive examples of companies and their

TABLE 3 JOB EMBEDDING ACTIVITIES OF THE *Fortune 100* BEST COMPANIES TO WORK FOR

Activities

<i>Company</i>	<i>Fit-organization</i>
CarMax	CEO Q&A sessions
First Horizon National	Excellent at promoting women; 83% of its managers are female
Harley-Davidson	90% of employees identify with the company's riding culture
Medtronic	Creative freedom (25% of an employee's workday can be devoted to a tech idea outside of their usual jobs)
Morrison & Foerster	Diverse atmosphere; 21 minority partners
Plante & Moran	No "partner row"; everyone is clustered by industry
REI	Females have high chances of promotion; female CEO
Robert W. Baird	75% of managers are women; employee-owned company since 2004
SEI Investments	Open floor plan to make everyone feel equal
Valassis	Creates new positions to accommodate special talents
<i>Company</i>	<i>Link-org</i>
American Fidelity Assurance	Birthday cakes each month for employee birthdays
Arbitron	\$100 American Express gift cards for peer recognition
Arnold & Porter	Peer-elected committee to give everyone a voice
Bingham McCutchen	Strong mentor network
Deloitte & Touche, PWC	Referral bonuses including new cars
Four Seasons Hotels	Peer recognition through Employee of the Year award at each hotel
Marriott International	CEO flies top employees to DC to present job excellence award
Memorial Health	Bed races and posters of works to inspire team spirit
Monsanto	Snowshoe softball, and other employee bonding activities created by "people teams"
National Instruments	Talent show, using specially built applause-o-meter
Perkins Coie	Stresses collaboration but peers can single out employees for outstanding performance
Popular	Can recognize co-workers efforts with "On the Spot" awards up to \$100
Procter & Gamble	Reverse mentoring with junior female employees and senior managers
S.C. Johnson & Sons	Peer performance reviews
Stew Leonard's	Pie eating contests, hayrides, and ski trips

TABLE 3 (CONTINUED)

Activities

	Activities
Synovus	Executives forfeited their bonuses when profits were low to keep profit sharing percentage high
Valero Energy	Executives only receive their bonuses if everyone else does
W.L. Gore	Team members evaluate each other to determine compensation
Whole Foods Market	Salaries limited for top executives
<i>Company</i>	<i>Sac-org</i>
A.G. Edwards	Exercise facilities (indoor walking track, yoga classes, & running clubs)
Aflac	Company will pay 100% of tuition for employees' children and grandchildren, up to \$20,000 per year
Alcon Laboratories	koi pond, jogging trails
American Cast Iron Pipe	On-site medical centers with 20 doctors and nursing staff, 11 dentists and hygienists, and four pharmacists; wellness center
Baptist Health Care	Raffle for free rides on the company helicopter
Booz Allen Hamilton	2/3 of staff report a flexible work arrangement
Cisco Systems	Fun Workplace ("Nerd Lunches" and movie-themed food)
Container Store	Special schedules for employees with children; 9 A.M to 2 P.M Monday through Friday; part-timers get health coverage
Four Seasons Hotels	Employee of the Year Award (week vacation & \$1000 shopping spree)
Genentech	Lavish thank-you parties
General Mills	Tuition reimbursement at 100% up to \$6000 per year
Goldman Sachs	On-site children's center, 20 days free backup care
Guidant	Technicians can be promoted as far as upper management
Hot Topic	Reimbursement for concert tickets if employee writes a concert fashion report; fun environment where employees can dress like rock stars
IKEA North America	Tuition allowances for spouses
J.M. Smucker	Complimentary bagels and muffins every day
MBNA	Child-care centers; reimbursement for tuition; \$20,000 per child for adoption; paid week off for new grandparents
Men's Warehouse	3-week paid sabbatical after 5 years
MITRE	Master's degree in systems engineering from a Johns Hopkins professor
Network Appliance	Bonuses for patents filed, and stock grants for multiple patents
Pfizer	On-site child care and an elder-care program that includes counseling
Plante & Moran	Massages and miniature golf in the office; Saturday child care
Publix Super Markets	Bonus of an extra week paid vacation; health benefits for part-timers
Quicken Loans	CEO gives sports/concert tickets to those who sing songs over the PA
Roche	College classes on-site
Starbucks	Expansive health coverage (part-timers; same or opposite-sex partners)
Station Casinos	Full-service on-site dentistry and 24-hour child care
Texas Instruments	Spa and periodic on-site driver's license renewals, parents' nights out, and holiday parties
Vanguard Group	Staffers get room with a view, officers get inside spaces; On-site MBA-free if you get an A or B
Wm. Wrigley Jr.	10 percent of first year cost savings from employee suggestions
MANY	Profit sharing
MANY	Restricted stock grants or stock options
MANY	Generous salaries
MANY	Retirement funding
<i>Company</i>	<i>Fit-com</i>
Adobe	Seasonal farmers market
Bingham McCutchen	Box seats at Fenway
John Wiley & Sons	When relocating, Wiley asked employees what perks they wanted and followed through by providing a pristine river location, on-site exercise room, café, and free shuttle service
<i>Company</i>	<i>Link-com</i>
Arnold & Porter	Opportunity to work 6 months at a public interest organization

TABLE 3 (CONTINUED)

	Activities
David Weekley Homes	Entertaining annual company meetings that are attended by spouses and relatives
Intuit	Incentive plan to lose weight that donates \$1 to charity for each pound lost
Microsoft	Matches local charitable donations
Morrison & Foerster	Pro bono work opportunities
Principal Financial Group	Employees given days off to do community service
Qualcomm	Donations to victims of forest fires (including employees) matched by company
Station Casinos	Charity fundraiser, including an auction for the GM's job for 1 day
Texas Instruments	Sponsors day camps for kids
Timberland	6 month paid sabbatical to fulfill community service dream
<i>Company</i>	<i>Sac-com</i>
Marriott	Local transportation assistance
SAS Institute	Home-buying assistance; country club membership (90% discount)
Vision Service Plan	Can extend eye service to friends

programs to address specific dimensions of job embeddedness theory. To us what is most impressive about this list is the diversity of programs. The best response from one firm on a given issue may not fit well with another's strategy, its culture or its people.

SUMMARY

Most modern lives are complicated. When employees feel that their organization values the complexity of their entire lives and tries to do something about making it a little easier for them to balance all the conflicting demands, the employees tend to be more productive and stay with those organizations longer. Job embeddedness captures some of this complexity by measuring both the on-the-job and off-the-job components that most contribute to a person's staying. Research evidence as well as ample anecdotal evidence (discussed here and other places) supports the value of using the job embeddedness framework for developing a world-class retention strategy based on corporate strengths and employee preferences.

To execute effectively their corporate strategy, different organizations require different knowledge, skills and abilities from their people. And because of occupational,

geographic, demographic or other differences, these people will have needs that are different from other organizations. For that reason, the retention program of the week from international consultants won't always work. Instead, organizations need to carefully assess the needs/desires of their unique employee base. Then, these organizations need to determine which of these needs/desires they can address in a cost effective fashion (confer more benefits than the cost of the program). Many times this requires an investment that will pay off over a longer term – not just a quarter or even year. Put differently, executives will need to carefully understand the fully loaded costs of turnover (loss of tacit knowledge, reduced customer service, slowed production, lost contracts, lack of internal candidates to lead the organization in the future, etc., in addition to the obvious costs like recruiting, selecting and training new people). Then, these executives need to recognize the expected benefits of various retention practices. Only then can leaders make informed decisions about strategic investments in human and social capital.



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Brooks C. Holtom is an assistant professor of management in the McDonough School of Business at Georgetown University in Washington DC, USA. His dissertation represented the first test of job embeddedness theory. He has subsequently conducted numerous studies to better understand the boundary conditions of the theory as well as test the practical implications. In 2005, he received the Western Academy of Management's Ascendant Scholar Award (Tel.: +1 202 687 3794; email: bch6@msb.edu).

Terence R. Mitchell is the Carlson professor of management at the University of Washington Business School in Seattle, WA, USA. He has published over a hundred journal articles and book chapters on the topics

of motivation, leadership and decision making. He is a member of the Society for Organizational Behavior, a fellow of the Academy of Management and the American Psychological Association, and in 1999 he received the SIOP Distinguished Scientific Contribution award (Tel.: +1 206 543 4367; email: trm@u.washington.edu).

Thomas W. Lee is the Hughes M. Blake professor of management and associate dean for Academic and Faculty Affairs at the University of Washington Business School. His primary research interests include job embeddedness, voluntary employee turnover and work motivation. During the 2006–07 academic year, he will be president-elect of the Academy of Management (Tel.: +1 206 543 4389; email: orcas@u.washington.edu).