

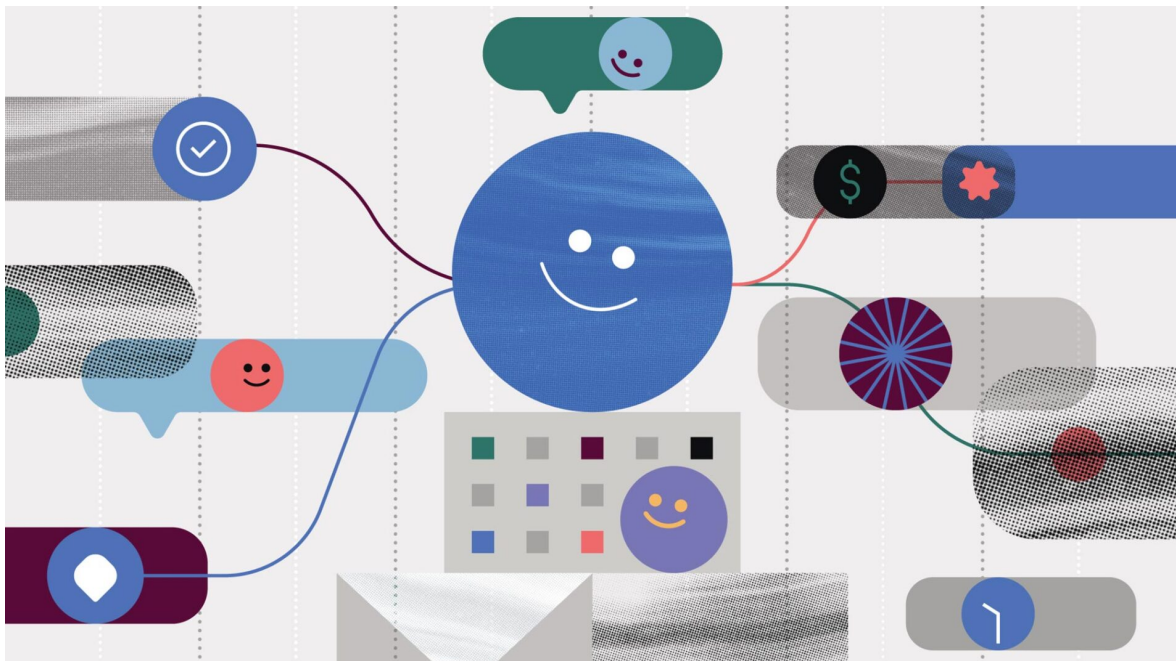
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Talent Management

Rethink Your Employee Value Proposition

by Mark Mortensen and Amy C. Edmondson

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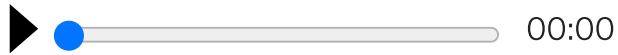
Summary. A lot of leaders believe that the formula for attracting and keeping talent is simple: Just ask people what they want and give it to them. The problem is, that approach tends to address only the material aspects of jobs that are top of employees' minds at the... [more](#)

The Great Resignation and a highly competitive labor market have made attracting and retaining talent a major challenge for employers. To meet it, many are following a basic strategy: *Ask*

people what they want and try to give it to them.

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Temporarily simple as this response is, it can be a trap. It tends to focus discussions on the material aspects of jobs that are uppermost in employees' and recruits' minds *at the moment*. In the past the foremost issue was often pay, but most recently it has been flexibility—notably, remote and hybrid work. And while material offerings are the easiest levers to pull (you can decide to give a bonus tomorrow) and are immediately appreciated, they're easy for competitors to imitate, and their impact on employee retention is the least enduring. An overreliance on them can set up a race to the bottom as employers strive to outbid one another for talent.

There's a much better approach—one that improves hiring and retention and shifts the focus of leaders and workers alike from what they want in the moment to what they need to build a thriving and sustainable future for the organization and for themselves. It's designing and implementing an *employee value proposition*—a system composed of four interrelated factors. **Material offerings** include compensation, physical office space, location, commuting subsidies, computer equipment, flexibility, schedules, and perks.

Opportunities to develop and grow comprise all the ways an organization helps employees acquire new skills and become more valuable in the labor market—for instance, by assigning them new roles, putting them through job rotations, offering them training, and promoting them.

Connection and community are the benefits that come from being part of a larger group. They include being appreciated and valued for who you are, a sense of mutual accountability, and social relationships. Their foundation is an energizing culture that allows people to express themselves candidly and engenders a sense of belonging.

Meaning and purpose are the organization's aspirational reasons for existing. They align with employees' desire to improve local and global society. They're the answer to the core question of why employees do the work they do.

These factors vary with respect to how employees experience them. First, they're either short-term or long-term. Material offerings and connection and community are experienced in the short term. (While connection and community obviously take a long time to build, they're *experienced* in the present—employees are motivated by the relationships and culture they encounter today.) Growth and development and meaning and purpose are experienced in the long term.

Studies have highlighted the perils of focusing too much on material offerings.

Second, the factors are either individual or collective. Material offerings and growth and development opportunities are given to people on an individual basis, while connection and community and meaning and purpose are experienced on a collective level.

Leaders need to address the factors holistically to ensure that a focus on one doesn't undermine another. Take one of employees' most significant current demands: to be allowed to work remotely. While junior employees may be thrilled to be able to do their jobs from home, they realize that doing so has a cost. When

544 U.S. college students and recent graduates were recently asked by the Generation Lab what they would miss if they worked remotely, 74% cited the office community, and 41% said mentoring.

In our consulting work and research with companies in industries ranging from financial services to software to consumer goods, we have encountered a handful of executives who are thinking about how the four factors affect interactions with workers. Realizing how fragile the bond between an employee and a company can be, they've stepped back to try to identify all the things their people need over time to thrive and produce high-quality work. One such HR executive told us, "Worried about losing people, senior leadership keeps telling us to 'throw retention dollars at them.' But they need to be asking, 'What are we doing to develop them? What are we doing to give them purpose?'" Several studies support this point of view. For example, research by the University of Toronto's Jing Hu and Jacob B. Hirsh found that people will accept lower salaries for doing meaningful work.

Other studies, including our own ongoing work, have highlighted the perils of focusing too much on material offerings. Researchers at Microsoft and the University of California, Berkeley, who analyzed the emails, calendars, instant messages, video and audio calls, and working hours of 61,182 U.S. Microsoft employees during the first half of 2020 found that remote work made their relationships more siloed and reduced collaboration. And work relationships matter enormously to lots of employees. We spoke with one young computer scientist who recently left a coveted position at a large financial services company expressly because its work-from-home policy meant no one was in the office; she took a job at a tech firm that required employees to be in the office at least four days a week. As a recent graduate of a vibrant computer science program at a top university where students learned from one another and enjoyed socializing together, she valued the energy, camaraderie, and idea sharing that came naturally with physically working alongside her colleagues.

Another body of research shows that people tend to prioritize satisfying their short-term individual desires. A recent discussion with a head of a department in a private financial group offers a case in point. The executive told one of us (Mark) that he disagreed with the CEO's "out of touch" push to get his team to return to the office, arguing that he enjoyed working from home and that the high level of productivity of team members was evidence that they should be allowed to stay fully remote. Mark said he believed that the executive probably was more productive individually but wondered how well he thought his junior people were being mentored and whether his group still felt strongly connected. The executive's face fell, and he nodded and said, "You're right, I hadn't thought about that." Overcoming the automatic biases that prioritize the present over the future and one's own needs over those of others requires thoughtful, skilled communication from leaders.

Why a Systemic Approach Is Necessary

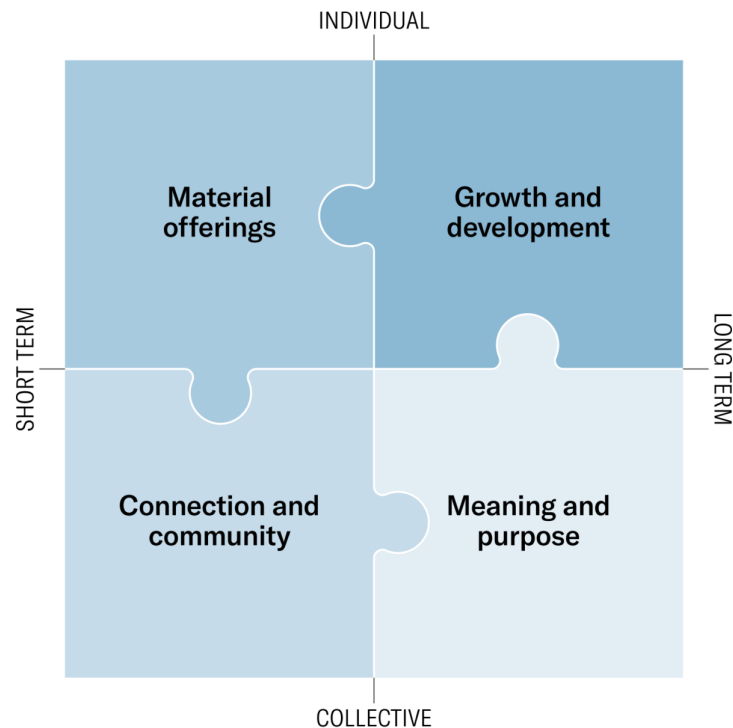
At many companies the four factors are managed separately. HR handles growth and development, for instance, while the C-suite owns purpose. Companies also tend to address the factors in sequence: They focus on offering competitive pay to hook recruits and then highlight their development opportunities to retain existing workers. That approach ignores how changes in one factor affect others.

Consider what happened at one software firm that serves companies in engineering, construction, and manufacturing. After Covid-19 cases subsided, the CEO and other top executives wanted everyone back in the office. But employee surveys indicated that people didn't want to come back. The executives relented, only to have employee engagement scores suffer over the next few months. Interviews with staff members revealed a "loss of connection," with many saying that they missed seeing their colleagues or that their "experience of belonging" was diminished. As the engagement scores continued to fall,

executives discovered that people were less happy despite being given what they ostensibly wanted. The executives realized that they had failed to consider how remote work might affect employees' sense of community over time.

How to Win the Talent War

To improve recruiting and retention, companies need to create an attractive employee value proposition. Its four components differ in how they're experienced by workers and should be managed holistically to ensure that a focus on one doesn't undermine another.



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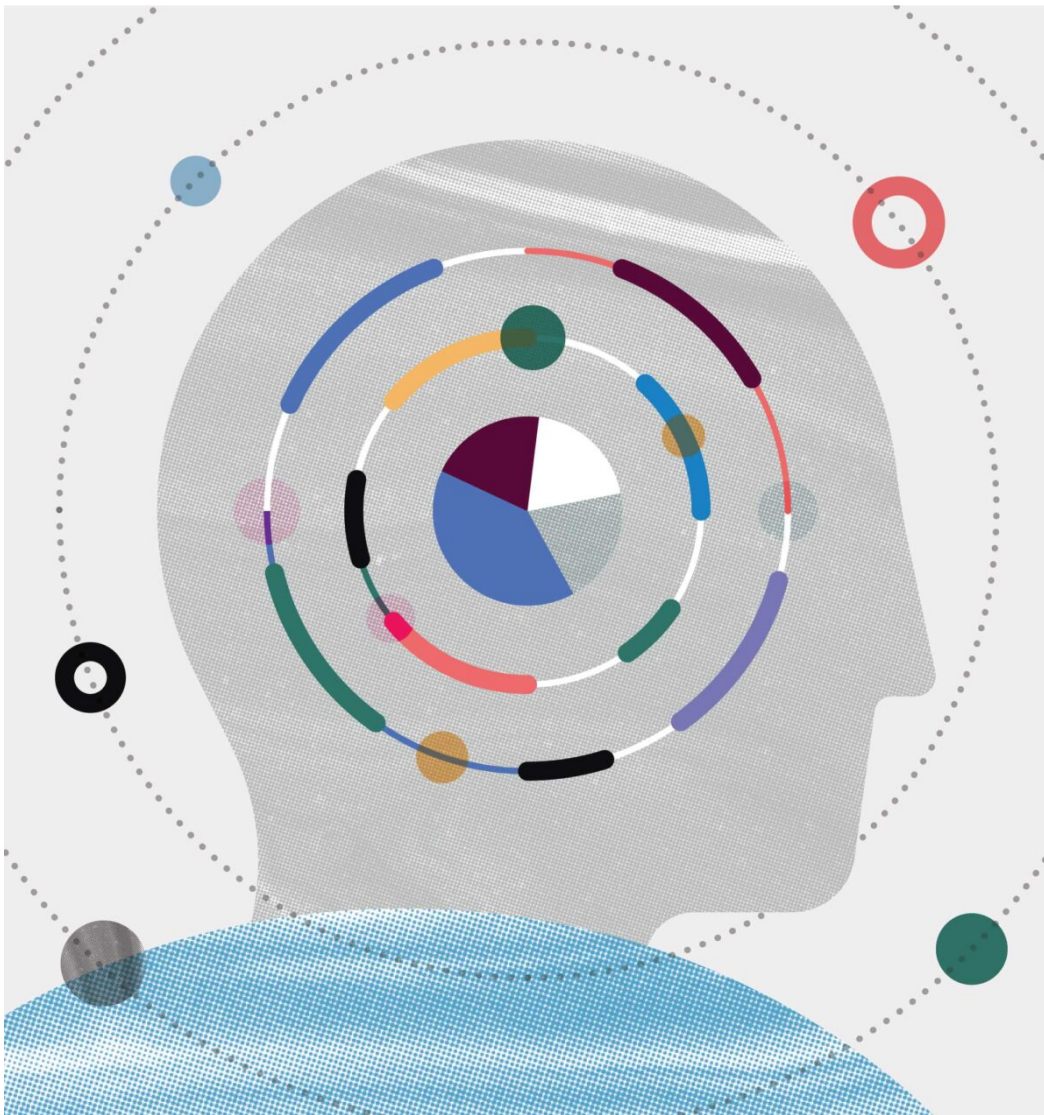
While such systemic effects are intuitively easy to appreciate, most companies ignore them in practice. For instance, companies invest untold hours and consulting fees in compensation benchmarking but rarely measure what their own employees think of their compensation, particularly in the context of purpose, advancement opportunities, and community.

Though problems occur most frequently when a firm's singular focus is on material offerings, they also arise when it's on other factors—something UNICEF recently discovered. When it comes to attracting talent, UNICEF arguably has one of the most compelling and motivating purposes anywhere: to protect the world's children. Not surprisingly, that mission has long been a primary asset in recruiting and retaining talent. But investigations conducted in 2018 and 2019 revealed that the organization's mission-related "results at all costs" culture had encouraged bullying and harassment and triggered many departures. In our discussions with them, senior UNICEF officials recognized that by promoting its incredibly powerful purpose in isolation, the organization had inadvertently created a toxic culture. That recognition led them to launch initiatives to balance purpose with employee development and connection and community.

As both examples illustrate, an effective and enduring employee value proposition requires treating the four factors as interdependent parts of an integrated system. That makes synergies possible. The experience of the CEO of another software company reveals how. In early 2021 he recognized the need for a multidimensional approach to engaging employees. His new hybrid work policy, postponed twice in response to new variants of Covid, was unusually comprehensive. It began with a renewed emphasis on the company's purpose: solving problems together to create a better world. Senior leaders spoke often about why the work the company did mattered and how employees in diverse roles contributed. The company also rolled out a leadership development program to support a culture of learning, psychological safety, and collaboration and offered a set of growth and development opportunities that clarified how people throughout the workforce could move up in the organization. Critically, the CEO recognized that the elements of the program worked in combination—for example, that while the culture of learning obviously supported individual growth and

development, a focus on collaboration promoted peer-to-peer mentoring, the sharing of best practices, and other forms of connection. Renewing the purpose energized the culture, according to employee surveys. With those factors addressed, the company turned to its material offerings regarding remote work. The new policy asked employees to spend two or three days at the office a week; each team was allowed to figure out the best days and rhythm for its members' work, and the company doubled down on making its offices around the world attractive to employees.

Another example of the effectiveness of an integrated employee value proposition can be seen in the turnaround that Hubert Joly led at Best Buy after becoming its CEO, in 2012. He deliberately put purpose—"enriching customers' lives through technology"—first. In a 2021 *Forbes* article, he recalled, "We achieved this turnaround by pursuing a noble purpose and treating profit as an outcome, not a goal." He emphasized how a noble purpose aligns with employees' own thirst for meaning, creating a virtuous cycle of "human magic" that gives rise to an energized community focused on delighting customers. Yes, Joly also gave workers better perks and reorganized store floor plans. But critically, he didn't cut staff or wages—the conventional approach to turning around a company—and instead invested not only in purpose but in culture and training.



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When senior executives think systemically, they naturally consider the relationships among the factors in the employee value proposition. They wonder, “How might this change impact other things that employees care about?” Garry Ridge, who retired as WD-40’s CEO last year, did just that when his employees expressed a desire to continue remote work as the pandemic waned. He told us, “We came out with a philosophy called Work from Where, in which we said, ‘We don’t care where you work from, but we do ask that you use our corporate values to make your decision.’” One of those values is “creating positive, lasting memories in all relationships,” which encouraged employees to explicitly weigh whether they were contributing to the WD-40 community (another corporate value) against a preference for working from home—and to figure out when remote work was effective and when it wasn’t. According to Ridge, most employees

chose to work in the office. He added that an integrative approach is self-reinforcing: “We think about it holistically, we act consistently, and the snowball of benefits gets bigger.” There is evidence to support that: In a recent survey, 90% of WD-40 employees said that the company’s culture had improved in the previous year—a period when employee disenchantment at many organizations had grown. It’s notable that WD-40’s engagement scores have been over 90% for the past 22 years. During that time its total shareholder return has grown at a compounded annual rate of 15% and its revenues have tripled. Its market cap also grew from \$300 million to \$2.4 billion (as of October 2022).

What Should Leaders Do?

A systemic approach to attracting and retaining employees entails three steps:

1. Assess what your company has and what your employees need. Start by understanding both the supply and the demand sides of the equation. That requires collecting information on what your organization is currently providing with respect to each of the four factors, how employees experience them, and what your employees want. Data collected using traditional survey and interview methods will suffice. But don’t skim the surface. When you examine employee engagement, don’t focus just on scores; also investigate the causes of changes. A rise in intent-to-leave scores, for instance, may be driven by either a perceived lack of growth opportunities or a feeling of being disconnected from colleagues. Each cause has different implications for action.

2. Change the conversation. Once you have data on what your organization is providing and what your employees need, make sure managers and their reports are discussing the employee value proposition in an integrated way. If you’re explicit about how the factors are related, it will reduce disagreements and misunderstandings around the “why” underlying key decisions. Don’t just announce the policy; explain why it’s necessary for the

company and how it will benefit employees over the short and long term.

As with any attempt to change mindsets and behaviors, repetition and consistency are critical. So make sure that you have thoughtful, structured conversations about the relationships among the factors when:

Recruiting and onboarding (including reonboarding of pandemic hires). During interviews you should not only ask candidates about what they're looking for from the company but also clearly lay out the system of offerings that your organization provides over time. By determining whether the needs of potential employees are aligned with those of the company, you can reduce costly hiring mistakes. In addition, explicitly discussing the rationale underlying your employee value proposition can help you craft an offer that's more compelling than your competitors'. In onboarding new hires, avoid "Rah, rah, let us tell you about our culture" sessions; instead show how your culture supports individual development and the organizational mission.



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Managing performance. Your system for this should measure all four factors. Consider building your assessments—whether for teams, business units, or the entire company—around questions that encourage employees to think broadly about their work: How does my work contribute to the organizational purpose? What am I doing to build relationships, create community, and maintain a positive, strong attitude and energy on my team? What learning and development opportunities am I pursuing, and how do I

support others on our team and their learning? What am I doing to ensure the delivery of excellent results wherever and whenever I work? Hold ongoing conversations about those issues to reinforce a holistic employee value proposition.

Setting and adjusting policies. At the introduction of any new or updated policy be sure to explicitly note how the policy affects the four factors. That will help employees think about its broader effects and recognize trade-offs they might overlook. It will avoid the kind of backlash that Apple experienced in the spring of 2022, when it was forced to pull back its mandate that employees work in the office three days a week. According to National Public Radio, “the company decided to postpone its plan after more than 1,000 current and former employees signed an open letter [that] called the plan inefficient, inflexible, and a waste of time.”

3. Continually update. Employees’ needs are dynamic and should be reassessed on a regular basis. Collecting data annually will suffice for most companies, but those experiencing a significant event such as a major merger or acquisition may want to do it more frequently. Ongoing measurement is vital to evaluating how relationships among factors in the system may shift as reinforcing loops or tensions strengthen over time.

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Approaching employee attraction and retention as a system helps avoid a race to the bottom, makes a company’s employee value proposition harder to imitate, and helps create a clear narrative that reduces us-versus-them tensions between managers and their reports. It allows your organization to move from reacting to the demands of the moment—whether they’re for signing bonuses or remote work—to creating an environment that enables people to reach their full potential. And that is the key to building an organization that thrives over the long haul.

To access a free survey tool that will help you assess how well your company's employee value proposition serves your needs, go to [Integratedevp.org](https://integratedevp.org).

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