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BOARD ALERT

YOUR NEWS FROM OTHER BOARDROOMS

Employee Departures Getting More Board-Level Attention

MANY BOARDS are taking a closer look at employee retention. By looking at the numbers of people leaving an organization, directors hope to spot cultural or structural problems that could hurt the business.

"It's definitely a red flag that I look at," says **Marilyn Seymann**, CEO of consulting firm **M ONE** and a director at **Beverly Enterprises**, **NorthWestern Corp.**, and **Community First Bankshares**. "And I tell directors around the country to look at it as either a sign of a cultural issue or some management discontent."

Some boards are also taking employee retention into account when conducting CEO evaluations. **Beverly Behan**, a partner with consulting firm **Mercer Delta**, says some boards she works with have begun using companywide turnover statistics as one of many metrics by which they judge the top executive's performance. Setting a positive tone for a company and making it a place where people want to work is one of the CEO's responsibilities.

Seymann and other directors say the increased focus on turnover is part of a wider trend. Boards are looking more closely at their companies' operational metrics in general, spurred on by the scrutiny directors are under in the post-**Enron** environment.

"Probably companies have always tracked it internally, and now boards are asking for more data on a range of topics," says **Betsy Atkins**, lead independent director at **Polycom**. "And (employee turnover) is an easy one to clearly identify and follow."

Some directors say board oversight of employee retention numbers can lead to tangible business improvements (see box). Consultant **Stuart Levine** chairs the combined compensation, nominating, and governance committee at **Gentiva Health Services**, a home health care provider. He says his board has received turnover data from management for about three years. But this year the board is using that information to set retention targets for individual business units. The hope is that turnover can be reduced.

At Gentiva, directors get turnover numbers broken down for full-time caregivers as well as sales, corporate, and financial employees. The numbers are also separated out by branch. "I literally have a tab now that says 'Turnover Report'" in the quarterly board book, Levine says, and the report runs about four pages.

It's somewhat unusual for directors to look closely at turnover throughout the company. While retention of top executives is clearly a board-level concern, the same is not always true of people lower down the organizational chart. Looking at trends or patterns of employee departure below the top two or three executive tiers has generally not been deemed worthy of directors' time.

Still, some directors say employee turnover is definitely a topic worthy of board attention. Atkins says it's common for technology companies like Polycom to look at it during regular meetings because human capital is so vital to tech businesses. "If things are going well, we typically are doing better than the industry average for turnover," she says. "And, when it spikes up, we know that there may be an issue." ■

DIRECTOR'S VIEW

HOW MONITORING RETENTION CAN BE HELPFUL

Polycom director **Betsy Atkins** says that regular updates on employee turnover helped one of her past boards do a better job of integrating newly acquired companies.

The company, a high-tech firm, went through a year when it bought up several other companies. At the end of the year, the board looked back and realized many employees were leaving after the acquisitions were completed. The board discovered it had a problem and took steps to rectify it.

Getting the data "made us realize we had to change our entire acquisition strategy to put in place a special integration team when we were going to do further acquisitions," Atkins says.

BETSY ATKINS, Director, Polycom