

# Retaining Scarce, Critical Talent

## How the Best Health Care Organizations Do It

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wards.” So what is best practice? Is it the same as prevailing practice, or is it what the “winners” do?

Where do you find winning medical centers to explore? *U.S. News & World Report* (August 2007) defined excellence in terms of reputation, mortality index, and other care-related factors and published a list of the 173 “America’s Best Hospitals” based on reviewing 5,462 hospitals. This article studies a sample of 21 of these leading organizations ranked by *U.S. News & World Report*, primarily from the top-ranked 18. These 21 organizations had CEOs, major operating and staff executives, and heads of human resources who participated in this study by providing detailed information in a structured interview based on an extensive open-ended questionnaire.

### Defining Scarce/Critical Talent

One CEO said, “The only reason we are one of the best in the world is our talent, and this is our focus until we learn that something other than top-performing people are why we are so good.”

Organizations in this study define scarce/critical talent as some combination of scarce in the labor market, critical to the organization’s mission, possessing the medical center’s core competences and/or professionals working in centers of excellence. Without exception, these study participants center their retention, pay, and reward resources on scarce/critical talent, not the general workforce.

Who are the scarce/critical talent? RNs and the nursing profession are universally viewed as core talent. Also mentioned are physicians, technologists in the chemistry sciences, physical therapists, respiratory therapists, pharmacists, nursing support technicians, some other licensed professionals, and managers who retain and help develop talent. Research-based organizations include research scientists investigating new cures and treatments. An executive explained the double standard as follows, “Some people are going to leave; we need to make sure those who stay are those we really need.”

**H**igh-performing, skilled professionals are scarce, yet they are the differential advantage for an organization to reach and sustain a high level of performance in quality patient care and clinical outcomes. What do hospitals that are top performers on patient-focused metrics do to attract and retain more than their share of scarce/critical people, and is it working?

This study began with a request by a medical center CEO struggling for differential advantage and unable to find it. His challenge was, “I don’t really care what medical centers that are just performing okay are doing. I want to know how the best medical centers manage talent, pay and re-

### Importance of Scarce/Critical Talent

"It is much less expensive and more effective to retain the scarce/critical talent you have than to hire, orient, and deploy new talent," said one HR leader. An operations vice president said, "We changed our HR systems so the skill jobs, such as nurses, medical technologists, and physicians, get preference for most of the available money, development, and training." The emphasis is on retaining skilled talent close to the core of health care delivery and essential to creating a high-performance health care organization. Only two of the medical centers had an objective of social justice as it relates to pay and rewards. The other 19 base retention, pay, rewards strategies, and programs on talent scarcity/criticality.

How do they gain understanding by employees not in scarce/critical talent areas? They strongly communicate that the organization needs scarce/critical talent to accomplish its patient care or research mission, and without this talent, patient health and lives, as well as the organization's future, are in jeopardy. They also communicate that, to attract and retain people, the organization's pay practices must reflect differences in the labor market's rates of change for different jobs and skills, and the labor market for scarce/critical talent moves faster than for other jobs.

### Retaining Scarce/Critical Talent

One CEO said, "Don't be stingy with our critical talent, or our patients pay for it with their health." Another said, "We can't quit growing talent." Universally the strong emphasis is on making people feel valued and appreciated and an essential part of the reason for the medical centers' excellence. Beyond this, the medical centers were proactive in programs for retention of scarce/critical talent. Examples of successful programs and actions mentioned by more than half of the study participants are:

- Communicate messages about the medical center's reputation for excellence because people generally want to be associated with "winners"
- Encourage scarce/critical talent near retirement age to continue to work or to work beyond normal retirement age with some combination of base pay adjustment, bonuses, ensuring competitive pay, enhancing retirement benefits for each additional year of employment, providing part-time work, and accommodating the individual's preferences for work hours
- Provide childcare and eldercare benefits, with onsite centers being the strongest and most preferred benefit.

While some readers may be working at hospitals that cannot use their organization's reputation as a differential advantage, they can develop

approaches to retain their aging workforce longer or beyond the normal retirement age. Depending on the organization's resources, onsite eldercare and childcare may not be feasible, but consideration should be given to some level of benefit or support to acknowledge the life needs of scarce/critical talent.

### What Does Not Retain Scarce/Critical People?

An HR leader said, "Gimmicks don't work. Buying recognition items like movie tickets and the like have not worked for professionals." They were successful for hourly employees, however. Three types of unsuccessful retention solutions for scarce/critical talent were mentioned by medical centers:

- Recognition programs that had gimmicks or games were most frequently mentioned as unsuccessful for professionals. Some mentioned having overused tangible recognition and now use it sparingly
- Pay programs that were administered inflexibly, paid everyone in the same job the same wage, or did not acknowledge an individual's skills
- Any program that was more "slogan" than substance.

Fundamentally, these approaches failed because professionals with scarce/critical skills did not view them as valuing their professionalism or skills.

One HR leader said, "The proof is in the 'staying or going.' If it works, they stay; and if not, someone takes the best people from us."

### Translating the Elements of Retention

The study participants viewed a number of elements as playing the following roles in retaining scarce/critical talent:

- *Employee engagement*: Critical when focused on adding value to patient outcomes and clinical metrics. The best people want to add value in meaningful terms
- *Employee satisfaction*: Necessary, but not a differential advantage. Increasing the level of employee satisfaction beyond a certain level is not viewed as key to retention
- *Supervisory/manager role*: Not "bosses" but re-defined as role models, facilitators, advisors, coaches, enablers, and "interference blockers"
- *Organization culture*: Essential to retention with a culture of professionalism
- *Work environment*: Designed to enable performance, skill and competency growth but not entitlement
- *Communications*: Frequent, honest, and straightforward, with two-way dialog using many mediums, especially face-to-face contact
- *Training and development*: Employee's responsibility supported by the organization and





emphasizing “keeping skills fresh” and “continuous growth and learning”

- *Career opportunities:* Throughout career with the opportunity to play various roles and with rewards and praise paralleling increases in value
- *Pay and rewards:* Integrated with all other efforts to retain scarce/critical skilled professionals and reflective of value they add to patient outcomes and clinical metrics.

CEOs and HR leaders realize that not enough emphasis has been given to retention of scarce/critical talent as a priority essential to organizational performance. Now CEOs are making good on their promises to give priority to key talent. “They stay because you have programs that they understand, are specific, and benefit them. They leave because you made promises you don’t keep or because they have better alternatives,” one CEO said.

**Pay and Rewards Strategies**

An HR “sage” once said, “People—not jobs—are what make organizations go. I have never seen a job do anything good or bad. People matter.” Yet most pay and rewards solutions emphasize jobs as their core element. Because scarce/critical people have the skills the medical center needs to achieve success, many of the surveyed medical centers are focusing on ways to use both base pay

and variable pay to reward scarce/critical talent for a combination of skill growth and performance.

Rewarding individual performance is the objective for total cash compensation programs for two-thirds of the study participants. About half reward an individual’s skill growth and usage. Only about one-fifth do not have an objective of paying for performance but pay for tenure/service, internal equity, or social justice.

**Base Pay**

Two-thirds of the study participants position base pay for some or all of their scarce/critical talent roles more competitively than the labor market at median/average. In fact, half pay all of their scarce/critical talent a higher wage. A few lead the market as the highest payer.

About half of the medical centers provide base pay increases for skill growth. Two-fifths have programs to ensure that the highest-performing critical/scarce talent earn the highest base pay. Most of the study participants have annual reviews of individual performance and/or skills, but one-fifth provide quarterly reviews that may result in base pay increase and/or lump-sum payment to ensure the medical center keeps up with the labor market and recognizing the individual’s acquisition of skills.

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Both of these approaches for determining base pay—skill growth and individual performance—are not as easily accomplished as across-the-board increases to base pay as the labor market increases. These study participants, however, are committed to these programs for their scarce/critical talent to provide not only pay based on the individual's value but also for career growth and opportunity. These medical centers are working to improve these programs by refining and improving the measurement of performance and skills and updating and refining skills to

match advancements in medical technology and care.

**Variable Pay**

Variable pay, a cash payment that does not fold into base pay, is a popular way to keep pay from becoming an entitlement while emphasizing measures of excellence. Variable pay must be re-earned from performance period to performance period. Two-thirds of the study participants have scarce/critical talent below executives and directors eligible for variable pay. This is consistent with the general finding that some 80 percent of all organizations in the United States use some form of variable pay for their non-management people.

Incentive plans, lump-sum payments and cash awards are the types of variable pay used by study participants to reward scarce/critical talent. An incentive plan that rewards results on clinical goals was most frequently used, followed by lump-sum payments to reward skill acquisition and usage, individual performance, or both.

All the survey participants with incentive plans use incentive metrics that communicate and reward patient-focused outcomes. These medical centers believe that financially oriented metrics send the wrong message and may drive the wrong behavior, so they do not use cost savings, productivity and income as metrics for the general scarce/critical talent population. This approach contrasts with other industries' incentive practices that include such metrics but fits with these nonprofit medical centers' focus on professionalism and health care excellence.

**Recognition**

Although games and gimmicks were not viewed as effective, verbal recognition and excellence rewards do work. Verbal and written forms of recognition are imperative to communicate to scarce/critical talent that the organization truly appreciates their contributions. Effective symbolic recognition awards (e.g., certificates) reinforce recognition from patients and patients' families, professional excellence, and role-model behaviors consistent with the medical center's values. Overall, however, these organizations do not consider recognition programs a key



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retention tool, even though they have customized programs to reflect the professional focus of their scarce/critical talent.

### Benefits

Only two study participants use retirement and liberal benefits to retain scarce/critical talent. Health insurance is a philosophical cornerstone and necessary for recruitment and retention. Child care and elder care are considered differential advantages.

### Conclusions

These premier medical centers believe that people, not jobs, make a difference because jobs do not end up at competitors. They are focused on retaining scarce/critical talent and are proactively developing and implementing integrated retention, pay and rewards strategies, programs and actions to retain this talent. They capitalize on any differential advantages they have compared to other health care organizations, train and hold managers accountable for successfully implementing these programs, and have improved communications with scarce/critical talent.

These organizations address retention, pay, and rewards of critical/scarce talent as a business necessity to continue to achieve the organization's mission and to reduce the cost of losing scarce/critical talent. They use a two-fold approach—both career and financial opportunities—to retain scarce/critical talent for their life of employment. They are aggressively acting sooner rather than later. What is your organization doing now to retain these people? ■

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