

EMPLOYEE RETENTION: THE SECRETS BEHIND WAL-MART'S SUCCESSFUL HIRING POLICIES

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One of the major concerns of any corporation, particularly a high-growth business, is employee retention. Without minimizing the importance of roles such as compliance, diversity, compensation, and benefits, if the basic exercise of getting, keeping, and growing a company's talent is done well, the other HR functions will reflect this excellence. This article demonstrates Wal-Mart's exceptional program for obtaining and retaining its employees and helping them grow within the company. © 2005 Wiley Periodicals, Inc.

One of the major concerns of any corporation, particularly a high-growth business, is employee retention. It is incredibly frustrating to go through a long hiring process, employee training (which can be a costly and time-consuming investment), providing uniforms and other necessities, and then have the employee quit after two months. Then you start over! It seems there has to be a better way to hire and retain employees. It wasn't until I joined Wal-Mart in the spring of 1994 that I finally discovered the secret.

At that time, I thought their human resource management department faced an enormously daunting task of managing its role in a company of 485,549 associates doing \$50 billion in revenue. I was somewhat encouraged that it had taken Wal-Mart

at least 30 years to get to this point, so I was confident I would have time to adjust before the real growth began. Little did I know that 10 years later, we would be running a business of \$250 billion in volume with 1.5 million associates!

On reflection, it would have been extremely useful to have a well-thought-out plan to meet the requirements of such incredibly rapid growth. But anticipating the future, especially in dynamic, growing organizations, is not easy; sometimes it seems to be almost impossible. But, just as Sam Walton had a rather simple but highly effective strategy for success, I was pleased our human resources team recognized that simplicity is also better than complexity and that less is more. For example, Walton's business

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philosophy was based on a strategy of making the customer number one. He believed that by serving the customer's needs first, Wal-Mart would also serve its associates, shareholders, communities, and other stakeholders.

Today, our goal in Wal-Mart's human resources division is to incorporate Walton's culture and philosophy into a human resource management strategy that is both simple and highly effective. When asked about my role as the executive vice president of Wal-Mart's People Division, I simply explain that we are—and will continue to be—in the business of getting, keeping, and growing good people. This is what we are paid to do. If we implement these basic competencies well, our organizations will be better businesses. To be clear, I do not intend to minimize the importance of roles such as compliance, diversity, compensation, and benefits. What I submit is that if the basic exercise of getting, keeping, and growing a company's talent is done well, the other HR functions will reflect this excellence.

Getting Good People

It all begins here. Someone once asked Sam Walton what special training programs he instituted to employ such upbeat, customer-focused associates. Walton reportedly thought for a moment with a quizzical look on his face and then asked, "Why not hire friendly upbeat people?" Much of our personnel energy and resources are, in fact, devoted to fixing or improving the initial hiring decision. We invest significantly in improving and upgrading technical skills or in improving or correcting workplace behaviors. A great example is our challenge at Wal-Mart of addressing a classic retail concern: employee turnover.

When we first began to analyze our situation, we noted that our turnover had increased steadily from a baseline in 1994 to 1999, when we established stronger retention strategies. During this period, our internal and external environment had begun to change. Internally, we were expanding from a purely general merchandise business of small "hometown" stores of 40,000 square feet to 180,000-square-foot "super centers"

that offered groceries as well as general merchandise. Many of these new operations were open 24 hours a day, seven days a week. This was a significant shock to the store's operating system. Additionally, in 1994, several states still had "blue laws;" that is, their retail operations were not open on Sundays. As this has changed state by state, the dynamics of running a nonstop operation accelerated us to another level. A final consideration was the "war for talent." The economy had gotten a second wind, and unemployment dropped from 6.6% to 4.3% from 1994 to 1999. Employment appeared to be plentiful, and many job holders opted for frequent job changes.

It was evident as part of our growth program at Wal-Mart that constant turnover was simply not going to work. We had to develop a plan to eliminate this problem as much as possible.

We thus embarked upon a strategy that would reduce our rising turnover. Part one of the strategy was to obtain high-quality personnel. We first concentrated on our recruiting strategies and realized that turnover starts when we hire and is affected by who we hire. In other words, many of us do a great job of hiring our own turnover. It was most evident that we were not paying sufficient attention to the hiring process, and what better place was there for us to start implementing our strategy?

Our internal data analysis showed that an associate leaves within the first 90 days because there is a conflict in their schedule or they prefer to work in another area. Were these things discussed before the job offer was made? We asked ourselves whether we spent as much time collecting these facts as we did asking about references, education, experience, and other such background information. Sometimes there appears to be attendance or punctuality problems that cause us to focus more on corrective discipline than training job skills and customer-relations skills. Then we ask, "Was there something in the person's background that I should have known? What did I miss?"

Very early in my career, after having done college recruiting for some time, I took a class in selection and testing as a part of my graduate school curriculum. As the professor

was orienting us on the first day of class, he stated, "Remember that the face-to-face interview is probably the most invalid selection process that exists!" Of course, I was stunned by this obviously erroneous statement, because I felt my ability to "size up" a candidate across the table was foolproof. I learned later, however, that there is much to know about hiring decisions and how to ensure your selections are adding to the strength of the team.

The good professor's point was that there were (and are) many behavioral instruments and validation processes that can help us maximize the most desired behaviors we seek. With these tools at our disposal, we increased our focus and training around choosing good people, which encompassed everything from selection training classes to computer-based training on interviewing techniques. These efforts contributed significantly to our eventual results.

Time and effort employed on the front end play a large part in the energy applied in the two remaining key areas—keeping and growing. A corollary to front-end effort, especially in these troubled times, is that much more intensive background checks should be made of all applicants considered for employment. This doesn't involve every applicant, but those who have reached the final stages of the application process should be investigated. There are dozens of firms throughout the United States that specialize in background investigations.

Such procedures will ferret out candidates who state they have a college degree when they do not. Or that they left their last employer under good circumstances when they didn't. Or that they have no criminal background when they do. This is critical, especially when you consider that employee theft is the largest contributor to retail theft today.

Keeping Good People

Much research has been conducted around the topic of "why people leave" their company or organization. Even so, I know I could ask any number of seasoned HR executives this question and they would rattle off the

top three or four reasons without reaching for their latest survey, including:

- poor supervision,
- lack of job opportunities, and
- pay.

We could argue about the order of these; however, we all know that employees don't leave good companies, they leave bad bosses. The sense of connectivity with an organization and what future it holds for the individual is key. Don Soderquist, former senior vice chairman of Wal-Mart, frequently quoted Fred Smith of Federal Express regarding what associates looked for in their organization. He maintained that if a company could answer these three questions well, it was on its way to establishing a long-term relationship with its employees: (1) Do you care about me? (2) What do I need to do to get ahead? (3) Where can I go to get justice?

Whether we are on-boarding an entry-level hourly employee or a highly compensated technology manager, the need for thoughtful strategies around introducing new people to the organization is extremely important. It begins with how we bring them on board, who they meet early on, and what we tell them is important.

Harvard professor Rosabeth Moss Kanter, in her book *Corporate Culture*, defined corporate culture succinctly as "how we do things around here." The course of a person's career is often imprinted in the first several months of their initial employment. (Our own Wal-Mart study indicated that in entry-level hourly positions, we lost 67% of the first-year turnover in the first 90 days!)

The need to understand the nature of the business you have joined, whether it is retail, manufacturing, or telecommunications, is critical. It is imperative that newcomers are exposed to the "mainstream" product or activity of the business. Above all, however, is the chance for new hires to meet the leaders—those who run the operation. The connection between those who work in the store, plant, or department and those who make the decisions cannot be understated.

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tions around the world is to strike up a conversation with an associate who is working. I casually ask them how they are doing, how they like their job, and so on. I eventually get around to inquiring about supervision, with one favorite question, "What is the name of your store or club or distribution center manager?" The answer to this question offers tremendous insight into the access and familiarity with the facility manager. Did the associate know his/her name? Did they recite the name with familiarity? Well-run organizations have a clear footprint of the leader.

Our retention strategies called for mandatory participation of the location manager in new-employee orientation meetings. We wanted our associates to know their leaders from the very outset. I believe an employee's feelings about "where they can go to get justice" correlate highly with the comfort level and trust they have with their supervisors.

Growing Good People

Very few of us work for purely philanthropic reasons. As a result, we are always interested in what we must do to get ahead. We live in an impatient, "microwave" society where anything that takes longer than a minute to process can create frustration. As HR professionals, we know career development is a function of time and experience. True development has roots that are sunk deep in the experimental—the doing. It is rife with good and bad decisions; varying business situations; and quantitative, qualitative, and intuitive judgment. There is no substitute for time.

If this is so, how do we get the people in our organizations to feel good about their opportunities and where they are going? Two

critical factors are: (1) how we tell the story about what opportunities exist and (2) clarifying the process that gives an even playing field to all who have interest in those opportunities.

We began our management career selection (job posting) process around the desire to respond to these needs. This effort contributed to reduced turnover, as well as improved diversity and selections. We have continued to expand the selection process to more and more jobs over the years, and this has served us very well. Of course, the most credible impact to the organization is to hear about the single-parent telephone operator from a California Wal-Mart store who eventually became the vice president of recruitment and placement for the entire organization. Real stories have real impact.

Associates want to be able to see opportunity. Even an organization with a 9.0% annual population growth such as Wal-Mart has employed some people who believed they had no opportunity. Overall, however, the fact that 70% of all management people at Wal-Mart began as hourly workers has always been strong proof that true opportunity exists.

In summary, I have indicated that the basics of getting, keeping, and growing people are the cornerstones of human resource activities. In the retention example I have recounted from my own experiences, this focus helped us reduce total turnover from 70% in 1999, when the industry average was 63%, to 44% in 2003, versus a current industry average of 65%.

I find on days when my HR problems appear to be overwhelming, I dissect them into one of these three "buckets" for identification and solution. Those companies that *get* good people, *keep* good people, and *grow* good people will be around to celebrate their successes.

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