

### Research Question

Would opening a satellite office in or near a major metropolitan city be beneficial in the successful recruitment and retention of high potential young employees? What characteristics of organizations are most important in this process?

### Background

Almost 20 years after the influential article(1) was published in McKinsey Quarterly, the “War for Talent” continues to be waged. In fact, winning the competition to recruit and retain high potential young talent is more important than ever(2). Unfortunately, there is little consensus on what companies need to do in order to be successful in attracting and keeping these employees. One strategy some companies have used is to open satellite offices. Numerous articles have been published recently about companies that have decided to move the location of at least some part of their operations into or nearby major metropolitan centers in order to increase the size of the talent pool from which to recruit. These include many of the biggest names in business; S.C. Johnson(3), Kraft Heinz(4), Google/Motorola(5), and McDonald’s(6) to name just a few. However, it has yet to be determined if this will result in long term benefits in recruitment and retention.

Before making drastic changes, a systematic review of the factors involved from the perspectives of both candidates and organizations is important before revising a firm’s strategy in this regard. A special consideration will be to understand how these factors, including those that revolve around the location of the company, can inform the firm’s recruitment and retention strategy.

### Location, Location, Location

Many big name companies are betting that changing the location of the workplace can play a part in increasing recruitment and retention of high potential young employees. Whether or not there are long-term benefits of this strategy, though, have not been analyzed.

#### Recruitment

There is no doubt that location is an important factor in job choice decisions.(7) There is still some question, however, as to its relative importance to other factors considered by candidates.

- Of the factors that consistently affect the decision to accept a job offer, one study found that location is one of the lowest importance. Intellectual challenge was by far the most important job attribute for MBAs.(8)
- Different studies disagree about the exact ranking of job attributes, but a rough indication of order of importance of attributes *before* location would be: the nature of work (e.g., is it challenging), company culture, advancement opportunities, training/development opportunities, work/non-work balance, monetary compensation, and benefits.(9)
- MBAs were more likely to emphasize factors that would help them balance work and family life and were more sensitive to how work culture could impact their overall quality of life.(10)
- Gender has also been shown to have a slight effect on the likelihood of job acceptance based on location. Women may be more likely than men to seek out positions that offer a location or benefits that minimize conflicts with other life roles, but not enough to make a large difference in strategy.(11)
- City size was another factor studied in relation to various dimensions of job offers. In this case, city size was the 7th most important dimension after such factors as positive company culture, opportunity to learn new things, compensation, time demands, fit with company culture, and opportunities for advancement. (12)
- If the job location is not ideal, compensation can play a role in whether the candidate will accept a job offer. The applicant may reject the position if the pay is not high enough or accept it if the pay is deemed high enough to offset the dislike of the location.(11)

#### Retention

The literature around work location’s effect on employee retention is fairly sparse. Of the studies that have been done, findings seem to mirror the literature on reasons for job acceptance. For instance, high potential employees

were more likely to report staying because of advancement opportunities, constituent attachments, job satisfaction, organizational justice, and organizational prestige than issues with work site location. Location was studied, but came in 8<sup>th</sup> of 12 factors. (13)

Perhaps telling, though, is associated literature on life cycle migration. Significant moves are contemplated at the change of events at different life stages.(14) In general, the youngest age groups do tend to prefer more central living than other groups and the selection of where to reside for these young workers is heavily influenced by proximity to their workplace. In addition, locations rich in jobs provide more opportunities for social interaction. This can be considered important especially to individuals that have not yet “settled down”. Workers of all generations tend to have greater movement as they reach milestones and pass through different life stages. As people age and couple and their incomes increase, they become more amenable to suburban residential life. As individuals age they may also become tired of urban externalities such as congestion, noise, crime, etc.(15) Differences in age-related residential preferences may give rise to quality-of-life-related migration flows both into and out of the same region.(16)

### **Takeaway**

Locating jobs in urban areas, while likely making it easier to attract employees, will likely have little or no effect on long-term retention as employees have many other considerations before the location of the workplace that influence decisions to stay. In any case, young employees will likely follow the trends of generations past and be looking to vacate urban areas as they age and pass through life stages.

## Satellite Offices and Remote Work

There has been a lack of significant research on the effectiveness of satellite offices as a determinant of recruitment and retention of young employees. Most studies lump satellite offices in as one type of remote work, or “telework”. While this may not be ideal for analyzing the effect satellite offices might have in this regard, there are some findings that describe areas of note that can help inform the discussion of what organizations would need to address before this type of strategy could be successful.

- Offering flexible work programs (such as telework) indicates that the organization is willing to help employees address work/life balance needs.(17) However, in whatever form it is implemented it will have ramifications beyond simply changing the way or place in which an individual employee performs work.(18)
- Main office workers report significantly higher inclusion than home-based or satellite office employees. Whereas autonomy and flexibility may influence teleworkers to feel more satisfied with their jobs, professional isolation may act as a countervailing force.
- Home-based workers reported higher work/life balance support than satellite office workers. Satellite work does not allow the same level of integration of work and home life responsibilities as home-based telework.(17) On the other hand, employees who work in satellite offices experience less professional and social isolation than do home-based telecommuters. Because satellite offices house only employees of a single firm, much of the corporate culture may be replicated in the satellite site. Informal interactions are more likely; thus, mentoring and informal learning may again take place, reducing professional isolation.(18)
- Organizational commitment was highest among employees that were given the choice of working at any of the possible work sites (main office, satellite office, home-based) as tasks allowed.(19) These positive effects were also noted in overall productivity as well.(20)

Effective preparation, training of both prospective teleworkers and managers, and regular check-ins to ensure that everything is working as needed can foster a healthy and productive telework culture.(18) Areas that will need to be addressed include:

- **Guidelines.** Organizations need to prepare themselves and their employees for telework. Guidelines can prepare teleworkers and managers by covering topics such as scheduling, communication expectations, telecommuting eligibility, performance expectations, expense policies, and how to maintain healthy collegial relationships.

- **Availability.** Many firms require teleworkers to maintain working schedules consistent with the office schedule to facilitate coordination with work peers. Managers may choose instead to negotiate a certain number of hours during which the teleworker will be available.
- **Communication.** Training may need to focus on time zone and cross-cultural communication barriers, especially for virtual teams. Often several time zones separate supervisors from their employees, thus allowing only a few hours during which their work schedules overlap. Managers and employees may need to improve their ability to communicate effectively with electronic media.
- **Meeting scheduling.** Organizations periodically should bring on site non-located individuals whose work is interdependent to enable them to get to know one another. Establishing initial bases of trust and familiarity through face-to-face interaction strengthens subsequent virtual communication.
- **Trips to the main office.** Organizations may require employees to be on site at regular intervals to help enmesh them in the organization's culture. Some other firms require teleworkers to work in the main office for a given amount of time prior to teleworking to allow the company's culture to sink in.
- **Performance measurement.** Supervisors need to have a coherent strategy to manage teleworkers.
- **Non-teleworker buy-in.** Managers should cultivate non-teleworker buy-in as part of the preparation process. Moreover, organizations should discourage the perspective that teleworkers do not work, or that they do not work as hard as office employees.

### Takeaway

Whether implemented as a satellite office or home-based work sites, telework has many potential benefits. These include the opportunity to greatly expand the talent pool from which to recruit as well as in offering benefits that will likely play a part in retaining employees. However, to be truly successful requires a well thought through strategy and implementation plan. If done incorrectly, workers could find themselves isolated and unproductive without a connection to the employer and the company could find its culture under attack from disengaged and disappointed employees.

### Considerations Based on Characteristics of the Talent

Many of the studies that reported results on recruiting and retaining high potential candidates/employees were mentioned previously and are rolled into the best practices below. There were, however, quite a few distinct findings that influence recruitment and retention of millennials. To begin, it is important to get a high level understanding of the millennial cohort.

### Millennials

Millennials, also sometimes known as Generation Y, are the youngest generation currently in the workforce. Generally, they are considered to be those that were born between 1980 and 2000. There has been an overwhelming amount of information published in recent years that seeks to make sense of the inner workings of millennials as it pertains to their presence in the workforce. Much of this writing has been oversimplified and/or is based on faulty data and analysis. In some cases, the literature is openly contradictory. For instance, it has been reported that millennials have fragile egos and require acclaim and recognition for even minimal accomplishments(21). Other sources have found evidence that contradicts this belief(22). To ensure that proper strategies are created that will actually appeal to millennials, it is important to debunk these myths that have been perpetuated by the popular press. A short review of some of the most often repeated examples of myths are:

- **Myth: Millennials are job hoppers.** Numerous reports decry millennials as willing to change jobs more frequently than previous generations.
- **Fact: Millennials are staying in jobs longer than past generations.** In 2010, the average length of tenure at their jobs for those aged 25-34 was 3.2 years. This is actually *longer* than overall average length of tenure that 25-34 year olds had in 1983, which was 3.0 years(23)(See Appendix A). In 2012, 27.2% of 25-34 year olds had been at their jobs for 5-9 years. Compare this to the year 2000, when only 21.2% of those aged 25-34 had been at their jobs for the same length of time(24)(See Appendix B).
- **Myth: Millennials are tech savvy, digital addicts that prefer to communicate online instead of in-person.** Many have an image of the millennial as aloof or preferring to interact digitally rather than face-to-face.

**Fact: Millennials have a high level of comfort with technology, but they are comfortable with multiple modes of communication.** While millennials are more heavily immersed in technology and are adept at interacting online, this doesn't mean they want to do everything virtually. For example, when it comes to training to acquire new work-related knowledge and skills, they prefer face-to-face contact. They're slightly more comfortable with virtual learning than their older colleagues: 35 percent are happy to use self-paced interactive modules, apps or online simulations, compared to 33 percent of Gen X and 30 percent of Baby Boomers. However, Millennials' top three preferences involve personal interaction(22).

• **Myth: Millennials have no loyalty and are only looking out for themselves.**

**Fact: Millennials are just as loyal as past generations, but are wary of relying on companies to be loyal to them.** There have been numerous studies that show no statistically significant difference between generations and organizational commitment(25). There has been an increase in millennials understanding that they may have to pursue development opportunities outside of their current companies if the company is not willing to fulfill their career goals. This is part of the Protean Career Concept. The Protean Career requires an employee to 1) monitor and assess the job market; 2) anticipate future developments, trends, and industry shifts, 3) gain the necessary skills, qualifications, relationships, and assets to meet the shifts, and 4) adapt quickly to thrive in an ever-changing workplace. If their current organization is not willing or able to provide this for them, then they will seek out a company that will.

Best practices:

Based on the facts about millennials and high potential employees/candidates, there are a number of best practices that will make them more likely to accept a job offer or remain in a job after hire.

- **Ensure that managers and supervisors are capable leaders.** Millennials are loyal to people, not companies. Middle managers are the first line of supervision that young employees meet. That encounter can be disastrous or it can be edifying. Managers must be prepared to give and receive more frequent development feedback, manage difficult situations, and adapt to challenges.  
*In practice:* Citigroup requires every manager to undergo coaching and training before working with an intern or a participant in a rotation program.(22)
- **Communicate early and often.** Millennials are eager to hear from top management, but they want it to be real-time, two-way communication with results.  
*In practice:* HubSpot conducts surveys of its mostly millennial employee base every 90 days and reports the raw findings and analysis to all employees. They also use anonymous microfeedback platforms to ask questions about specific topics and to follow-up on feedback received.(26)
- **Develop a culture of mentorship.** Personal relationships are crucial for companies anxious to stem attrition or hang on to their young workers.  
*In practice:* W.L. Gore assigns a sponsor to help new hires navigate the culture; to help form other mentoring relationships, based on work interests and chemistry; and to be successful. More recently, Sodexo began to test mentoring circles of four people to help onboard new employees: three experienced ones each form their own connection with a newcomer.(22)
- **Make room for professional growth.** Many young professionals want a chance to flex their intellectual muscles; they chafe at the lack of advancement opportunity in today's lean organizations. In addition, temporary projects over and above the day job can be crucial for millennials who thrive on challenges.  
*In practice:* Barclays started up a young leaders' resource group called Emerge to help the company's most recent hires accelerate their careers through opportunities to develop skills, to network, and to manage projects through "extracurricular" initiatives inside or outside the company.
- **Expose millennial employees to various positions and opportunities within the organization.** Millennials are energized by rotational programs, an opportunity that has fallen out of favor at some companies. Also, customer visits, plant tours, and networking opportunities with Millennials in other company positions will expose them to internal opportunities for their future.(27)  
*In practice:* Synchrony Financial has expanded the traditional rotation model to include increased mentoring, exposure to senior leaders, cross-functional work, and community service—elements millennials value highly.

- **Make a point to develop the leadership skills of millennials.** 63 percent of millennials say their “leadership skills are not being fully developed.”(28) This is also highly cited as one of the most important reasons that they eventually move on to another firm that promises to do more for them in this area.  
*In practice:* Enterprise Rent-a-Car gives millennials plenty of responsibility from day one. In addition, they offer numerous opportunities for leadership training that cover a wide array of formats. They offer a graduate training program, classroom learning, and experiential learning opportunities. Millennials move up in responsibility and it is not too long before they are supervising peers and working on developing the leadership skills of subordinates while getting an opportunity to practice their own skills.
- **Be flexible.** Flexible work options are important to millennials, especially those starting families. Many young women and men cite their families as a top priority and want more family-friendly policies at work. For many millennials, paid parental leave would be a welcome first step.  
*In practice:* Journeys, a leading specialty retailer where young workers make up a large majority of the workforce, has created a core time block when all headquarters employees must be in the office unless they are traveling. Otherwise, they are free to choose the hours and location that works best for them. Netflix has instituted an unlimited parental-leave policy allowing employees to spend more time with their newborns and to choose return dates balancing their responsibilities at home and at work.(26)

### **Takeaway**

Millennials and high potential candidates/employees are not as difficult to comprehend as many reports tend to declare. Fair treatment; opportunities to advance, offer insight, develop, and succeed; and interesting and challenging work; these are all extremely important to them. In fact they are not that different from generations that have come before them (See Appendix C, D). Offer them what they want and need and it will result in commitment to the organization.

### Recommendation and Conclusions

It is likely that opening a satellite office will increase the ability to recruit high potential young employees. There is no guarantee that this will result in a long-term increase in retention, though. This could be for many reasons, whether it is the life cycle stages that tend toward moving away from more densely populated areas or the difficulties in setting up an effective telework program that results in productive, engaged members of the organization. Therefore, it is important that before implementing any such strategy a company ensure that they have a strong retention program that focuses on the factors that are most important to the target demographic. If this type of program is in place, though, and careful preparation of a telework program is done, then adding an option to work remotely would be a successful way to increase retention even further.

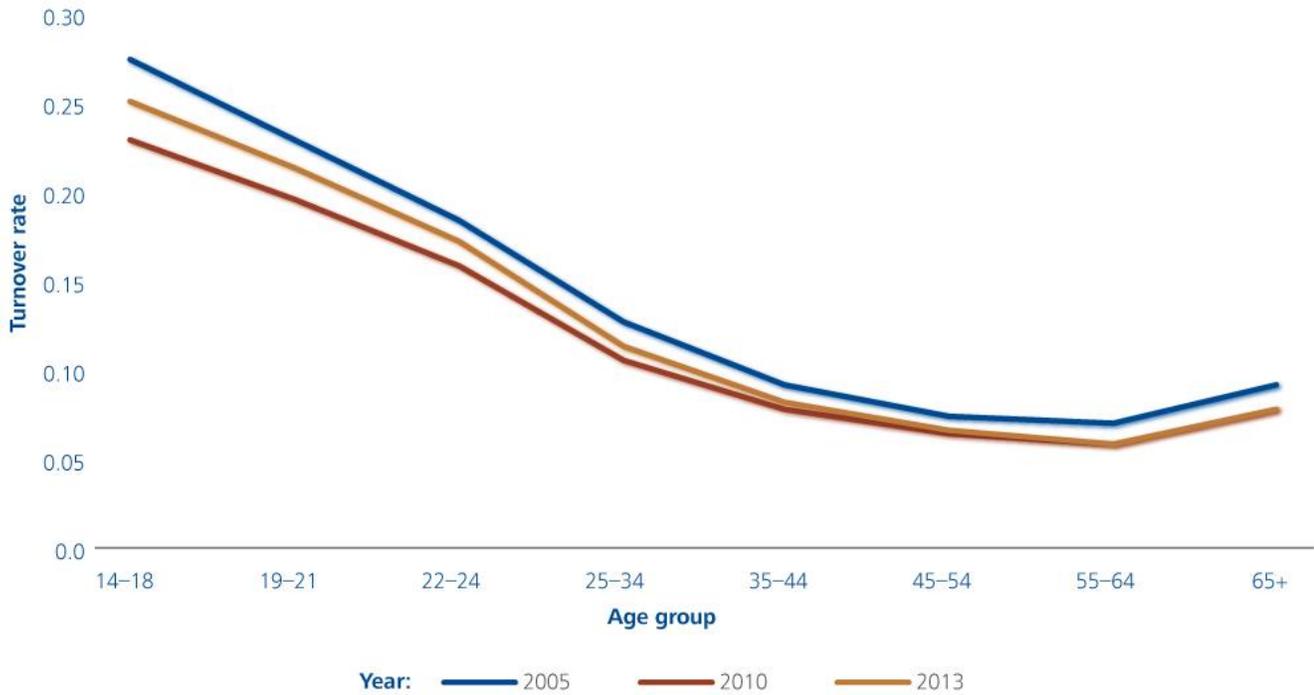
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Appendix A:

**Figure 13. Private sector turnover rates by age group**

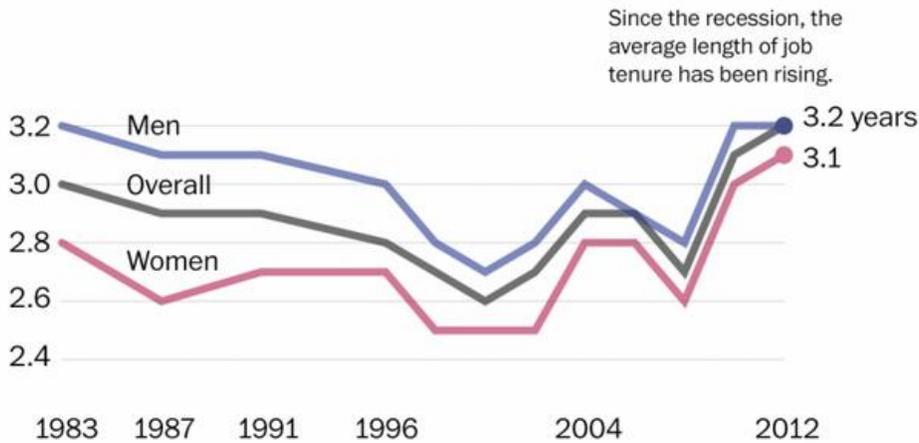


Source: Deloitte analysis of data from US Census Bureau Quarterly Workforce Indicators.

Graphic: Deloitte University Press | DUPress.com

Appendix B:

**Average number of years that 25-34 year olds have been at their current job**



SOURCE: Bureau of Labor Statistics, CPS

Appendix C:

<b>Top career goals</b>	 Millennials	 Gen X	 Baby Boomers
Make a positive impact on my organization	25%	21%	23%
Help solve social and/or environmental challenges	22%	20%	24%
Work with a diverse group of people	22%	22%	21%
Work for an organization among the best in my industry	21%	25%	23%
Do work I am passionate about	20%	21%	23%
Become an expert in my field	20%	20%	15%
Manage my work/life balance	18%	22%	21%
Become a senior leader	18%	18%	18%
Achieve financial security	17%	16%	18%
Start my own business	17%	12%	15%

Source: IBM Institute for Business Value Millennial Survey 2014, Millennials n=1,153, Gen X n=353, Baby Boomers n=278. Q15: Select the 2 long-term career goals that are most important to you.

Appendix D:

<b>Reasons for changing jobs</b>	 Millennials	 Gen X	 Baby Boomers
<b>Enter the fast lane</b> (make more money and work in a more creative, innovative environment)	42%	47%	42%
<b>Shoot for the top</b> (assume more responsibility in an organization with a first-rate reputation)	24%	19%	28%
<b>Follow my heart</b> (advance my career while doing work I'm more passionate about)	21%	24%	16%
<b>Save the world</b> (make a positive social/environmental impact and have more job security)	13%	11%	14%

Source: IBM Institute for Business Value Millennial Survey 2014, Millennials n=1,153, Gen X n=353, Baby Boomers n=278. Q26: Why would you leave your current job for a job with a different organization?