

ENGAGEMENT AND RETENTION

NetApp "Wins" the War for Silicon Valley Talent

"Our talented employees and strong global culture drive our company's success. We are committed to our culture, values, and benefits, which create an environment that employees enjoy and value. In turn, that helps us enable customer breakthroughs, retain top talent, and deliver greater shareholder returns. We continue to focus on remaining one of the world's best places to work."

—Tom Georgens, President & Chief Executive Officer

"As we see hopeful economic signs, the employment market is really starting to heat up, and we should expect our best staff members to be approached by other potential employers and recruitment agencies. I'm really delighted that NetApp is responding to this challenge by offering us two very good programs that will help us make sure that we value our staff, that they know it, and that we reduce the likelihood of losing people we would really rather keep at NetApp."

—NetApp Manager to his employees

BUSINESS CHALLENGE

Imagine ... having the world's most talented employees, being recognized as FORTUNE's #5 Best USA Company to Work For (#2 in Canada, #8 in Japan) and knowing your competitors want what you have.

Now think about ... the threat posed by the fierce war for technical and professional talent in California's Silicon Valley and the impact it could have on the bottom line. NetApp was a prime target, a recruiter's haven, for talent poaching — so much so that its biggest competitor formalized its hiring strategy as "get NetApp talent!"

As the economy began to settle in mid-2009, NetApp began to see a shift from historical declines in turnover — at that time approximately 6% — to steady increases at the rate of 1% per quarter. This continued through August 2010 (Q2 FY 2011:* see note), when it hit an all-time high of approximately 11%.

Exit interviews revealed that people were not leaving for more money (some even took less money), but rather due to their perception that growth, learning opportunities, career development, and a solid manager/employee relationship were limited at NetApp. Data also indicated that 25% of those who left were "poached," as they were not looking for a new job — and those who were looking found a job in less than three months.

There were serious concerns about turnover increases and intellectual capital losses following the payout of scheduled annual bonuses in July 2010 and the potential impact on the bottom line.

NetApp took action to maintain its competitive edge with a \$2 million initiative to engage, retain, and develop employees worldwide, maximize their current portfolio, gain market share, and continue their current momentum.

*Note: NetApp's fiscal year is May 1 through April 30.

SOLUTIONS

A global initiative was launched toward the end of NetApp's 2010 fiscal year (April 1, 2010) with a primary focus on people managers and their need to recognize the importance of their role for engaging and retaining talent. NetApp knew that:

- It must be a long-term business process, not just an HR program
- Managers needed to be equipped with the knowledge, skills, and commitment to promote manager-employee partnerships and a talent-focused culture
- It had to be integrated with NetApp's overall people strategy through both talent and performance management

OUTCOMES

This \$2 million engagement and retention investment provided an approximate six fold (600%) first year return as it yielded NetApp approximately \$12 million annual savings in "hard costs" directly related to an approximate 3% decrease in turnover. In other words, NetApp's initiative met its goals.

NET DISCRETIONARY EFFORT, INCREASE PRODUCTIVITY WITH AN ENGAGED WORKFORCE, DO MORE WITH LESS, ENGAGE PEOPLE, RETAIN CUSTOMERS, MAKE MORE MONEY, ATTRACT TALENT, IMPACT BUSINESS

HR established four critical elements for success into its systemic and strategic end-to-end approach:

- **Awareness:** Provide managers with information and tools to engage employees and address career development to further support their employees.
- **Skill development:** Encourage managers and employees to attend career development programs and jointly work on realistic career development plans.
- **Talent focus:** Encourage coaching and mentoring relationships as part of the career development and talent retention process.
- **Measurement:** Survey and collect other measurements to assess results.

“To achieve our business goals of growth and exceeding our customer expectations, a committed, engaged workforce is imperative. The ‘Love ‘Em or Lose ‘Em’ workshop offered a pragmatic methodology and tools for our business leaders at all levels to begin to engage in a dialogue with their employees about choice and their careers.”
—Gwen McDonald,
Executive Vice President,
Human Resources

people on their teams.

A 1½-hour module emphasizing career development as a significant component of the engagement and retention equation was customized and integrated into the session. When managers were introduced to BKA's CareerPower® program, process, and model, they understood the importance of encouraging employee participation in this NetApp® offering to stimulate individual contributors to self-direct their careers. Managers also began to apply the CareerPower® model to their own careers as they used CSi's Deal Me In® cards within the Person, Perspective, Place, Possibilities, and Plan (5P) model. Through these activities, managers recognized their roles as career coaches which helped strengthen the stay interviews by adding a development component.

- **CareerPower®** is a robust, yet practical, career-planning experience being offered to all NetApp employees. It helps employees assess where they are now in their career, where they want to go, and what it will take for them to get there. To date, nearly 1000 employees have participated globally. This offering completed the ongoing, systemic change required to truly shift an entire culture to one that is talent focused.

NetApp's solution provided a multi-faceted, systemic, and strategic "end-to-end" approach at engagement and retention:

Two “ENGAGEMENT” PROGRAMS were mandated for all people managers. 120+ classes were delivered in 12 locations (Amsterdam, Bangalore, Hong Kong, London, Munich, Paris, Singapore, Stockholm, Tel Aviv, Tokyo, Sydney, and multiple cities in the United States) and translated into four languages. By the end of the initiative in January 2011, more than 86% of all people managers had participated in both programs. The remaining managers were enrolled in future offerings and both programs remain available for all new managers to participate.

1. **Love ‘Em or Lose ‘Em: Getting Good People to Stay®** (Beverly Kaye & Associates, Inc. [BKA's] engagement and retention solution) created the foundation for this people initiative. In this interactive, full-day experience, managers identified top talent and those at risk, understood their own personal influence, and took responsibility for talent. They learned BKA's tools and strategies and started to build individual engagement and retention plans for their talent using many of the program tools. They became comfortable, competent, and committed to conducting “stay interviews” for all

2. **InsideOut Coaching™** (IOC) was the second full-day workshop that provided managers with a process for helping employees set, track, and achieve goals. Managers learned how to help employees set their own goals and be accountable for results by allowing employees to find their own solutions, which promotes accountability and engagement from the inside out.

“I found this to be very pragmatic and useful. It really reinforced the things we need to be doing to retain our folks as the economy improves and reminded me of how retaining my employees is a direct result of the amount of effort that I personally put into it. Good stuff!”

—Class Participant

RETENTION AND ENGAGEMENT

TAINTAIN CUSTOMERS, MAKE MORE MONEY, ATTRACT TALENT, IMPACT BUSINESS

This program focused on two primary coaching skills: (1) understanding key elements of human performance and how to influence them, and (2) learning and practicing a process for holding effective coaching conversations with employees to increase engagement and get results.

“Amazing course. Tangible and actionable activities for managers that brought the theory to life and how managers should respond to some tough questions raised by employees in coaching sessions.”
—Class Participant

InsideOut Coaching helped managers:

- Use a simple, repeatable, coaching vocabulary and process that can be applied in numerous situations.
- Coach others to recognize their true talents by creating awareness, eliminating interference, and setting and reaching goals.
- Navigate difficult conversations with more confidence and greater accountability.
- Communicate and receive feedback in fast and effective ways.
- Engage in effective performance reviews.

In both experiences, managers were asked: “What do you want our leaders to know?” This valuable feedback was collected, reviewed regularly, shared with the HR executive team, and then reviewed by the CEO: a process to make sure that commitment continued at the executive level and throughout the entire organization.

ONGOING MEASUREMENTS were taken, as NetApp administered pulse surveys every other month to gauge if managers were using tools, conducting stay interviews, and affecting engagement. Some results:

- 97% of participants felt the learning experiences were worthwhile and time well spent.
- 93% of the participants felt more confident in holding engagement discussions.
- 82% recognized an increase in employee engagement.

All managers are expected to conduct regular “stay interviews” with their direct reports, with 80% having completed at least one career conversation and more than 55% holding at least one “stay interview.”

REINFORCING AND SUSTAINING the application of the skills learned were critical to continuing the momentum. Immediately following the classroom experiences, graduates received an e-mail from the Executive Vice President of Human Resources, encouraging them to continue to build on what they learned and to reinforce and sustain the engagement initiative. The e-mail introduced two impactful reinforcement tools.

“With continued focus on engagement, we can reinforce and sustain employee commitment at NetApp.”
—Gwen McDonald,
EVP, Human Resources

1. **Love 'Em or Lose 'Em @ Work** is an online portal providing managers "just in time" activities around each of the strategies, including applying each strategy in one-on-ones, team huddles, facilitated and self-study experiences. Several tips, tools, books, and articles are provided in this convenient, easily accessible tool for each strategy as well.
2. **InsideOut Coaching Community** provides online mini-modules, along with downloadable tools, including GROW pads, preparation checklists, and conversation planners.

Classroom facilitators also sent e-mails to graduates following up on action items from the session and encouraging them to have ongoing career conversations with their employees.

“Thanks for the reminder, Michael. I have taken your suggestion about having specific conversations (I'm doing it monthly) that are called career development and engagement meetings. Thanks for the suggestion.”
—Class Participant

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SUMMARY

Positive results followed the April 2010 launch of NetApp's retention and engagement initiative as the incremental turnover increases slowed from 1% to .5% per quarter. After annual bonuses were paid in July 2010 (Q1 FY 2011), instead of turnover rates increasing as NetApp feared, they took a turn for the better. By the end of the initiative in January 2011, the turnover rate had dropped dramatically — approximately 3%, falling from 11.0% to 8.0%.

This drop in turnover provided NetApp with approximate savings of \$12 million in recruitment related costs, assuming a conservative replacement rate of 50% of the average annual salaries.

One sales department suffering from a high turnover rate held 186 "stay interviews" and was able to reduce their turnover rate to 0% — saving millions for this critical business unit.

Soft cost savings were substantially higher considering the impact of retaining NetApp intellectual capital and the ancillary impact of increasing employee engagement globally. Keeping their valuable talent from moving to a competitor while being actively recruited and "poached" certainly brought indirect value to NetApp's bottom line, far beyond replacement costs: value through customer satisfaction and retention, product development, sales, overall revenue, revenue per employee, employee satisfaction, productivity, reduced absenteeism, and increase in market share, to name a few.

With an approximate six fold estimated first year return on NetApp's \$2 million investment in turnover savings, perhaps NetApp's reported year-end results provide a larger picture of the true value of investing in talent engagement and retention.

NetApp recognizes that because a majority of managers completed the sessions throughout this overwhelmingly successful initiative, the company gained recognition as #5 in FORTUNE's Best Places to Work rankings and profoundly affected its efforts to create positive change in the NetApp culture. The company continues to reinforce this initiative globally and continues to see ongoing results of building and sustaining a talent-focused culture: the new essence of NetApp.



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About the company

NetApp is a Fortune 100 company with more than 11,000 employees, 150 offices globally, and \$5.1 billion in revenue. For nearly 10 years, it has been recognized as one of FORTUNE's Best Companies to Work For and ranked #5 in the US in 2011. Delivering storage and data management solutions, NetApp partners with world-class industry leaders that include Cisco, Google, IBM, Oracle, SAP, Yahoo, and many others.