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If you've got smart, talented people on your team, chances are they'll get calls from recruiters. How should you respond when a competitor is wooing one of your employees? How do you know if your team member is really considering the offer or bluffing? Should you make a counteroffer? And what can you do to prevent your people from jumping ship?

What the Experts Say

No leader wants to see a top employee snapped up by a rival. "One, you have to replace the talent, and in a time of tight labor markets, that's a very hard—and very expensive—endeavor," explains John Sullivan, an HR expert, professor of management at San Francisco State University, and author of *1000 Ways to Recruit Top Talent*. "And two, the talent is taking ideas with them to a competitor." Unfortunately, says Claudio Fernández-Aráoz, a senior adviser at global executive search firm Egon Zehnder and author of *It's Not the How or the What but the Who: Succeed by Surrounding Yourself with the Best*, managers are likely to be dealing with situations like these more and more, due to the globalization of business, demographic trends, and poor leadership development practices within firms. "The war for talent is going to intensify and it will get tougher" for managers to keep good people, he says. When you fear that one of your employees is about to be poached—or already has an offer in hand—there are steps you can take to avoid or minimize the loss.

Consider, but don't rely on, non-competes

Organizations have long used non-compete agreements and non-solicitation contracts as standard tools to keep both employees from leaving and poachers at bay. "But while legal contracts "are essential in many cases, they are never enough," says Fernández-Aráoz. Besides, he notes, times are changing. Not only is legislation going against non-competes but a growing body of research shows they stifle performance. "Employees are not owned, so acting like you own them and then purposely restricting their ability to make a living in the future will crush your brand as an employer," says Sullivan. So, even if your organization allows you to use these contracts, you shouldn't rely on them. Instead, focus on being an employer that people don't want to leave.

Watch for signals

Research suggests that employees are more receptive to recruiters—and therefore more likely to quit —around their work anniversary dates. (Annual reviews, which can often coincide with these dates, are typically a time of reflection.) Be mindful of those cycles, but be on the lookout for other kinds of signals, too. "There's usually a trigger event," such as getting turned down for a promotion or having a project postponed, that makes other options suddenly more attractive. Another sign is when "an employee suddenly starts requesting to go to conferences so he can be more visible," says Sullivan. Pay attention to office gossip as well. "Chances are they've already told someone at work that they're entertaining other offers."

Take action

If you learn that one of your most valuable employees is considering leaving, you need to be "proactive in trying to prevent it from happening," Sullivan says. "Have a frank conversation. Say, 'I'm not going to get mad, I want to fix it.'" Find out if there are simple ways you can improve the employee's work life. "Ask: 'What are the factors that are most frustrating you? Are there any that I can take away that would cause you to reconsider?'" If the employee is seeking new challenges, look into options that you could provide internally, says Fernández-Aráoz. Place the employee on a strategic task force, offer her a new territory to cover, or help her find opportunities to join an external board. "If you can find an alternative, it's a win-win," he says.

Don’t jump to a counteroffer

On the surface, presenting your employee with a counteroffer seems like an obvious, easy way to make them stay. But, warns Sullivan, counteroffers are often counterproductive. “If someone has made the decision to quit, they’re unhappy. By giving a counteroffer, you’re paying to keep an unhappy worker.” And boosting one employee’s salary might create problems for you with the rest of your team, says Fernández-Aráoz, “Compensation is confidential for about 11 seconds,” he says. “Everyone finds out as soon as the person walks out of the boss’s office wearing a big smile.” And if you suspect your employee may be bluffing about his offer just to pad his paycheck, “let the person go,” he says. “I would hate to think I have someone on my team who would lie to me. In today’s workplace, it’s all about trust.”

Batten down your hatches

When a team member leaves for a competitor, an immediate concern is whether he’ll “bring other colleagues along with him,” says Fernández-Aráoz. “You wonder: how many others are going to go too?” You’re not being paranoid, says Sullivan. “When someone’s been poached by a competitor he will probably try to take people with him,” he says. “It’s pretty easy to identify who they are.” (Hint: it’s often employee’s team members and friends.) In the aftermath of the departure, “you need to work on those people,” Sullivan says. Find out what they need to stay—be it Fridays off or a meaty new assignment—then do your best to deliver. Make sure they know how much you value their contributions. “Tell them: you make a difference here.”

Be attentive to your best people

“You need to continually treat desirable employees like they’re going to leave,” says Sullivan. He suggests identifying the people whom you cannot afford to lose and then conducting a “stay interview”—a play on the HR black hole of information otherwise known as the exit interview. “Ask them: ‘why do you stay here? If you’re ever frustrated, what are the reasons? What would keep you from leaving?’” Then use that feedback to “reinforce the reasons” that they’re happy where they are, and create “personalized retention plans” to address the reasons why they’re not, he says. Perhaps allowing the employee to work a flexible schedule, work on different projects, or work more from home is enough to retain them. “You should do this for your top performers who are in critical jobs and are hard to replace,” he says. Ideally, your “employees stay with you not because they have to but because they would not possibly consider going anywhere else.”

Keep it in perspective

Managers tend to judge themselves on their ability to inspire loyalty in their team members and so the resignation of a star employee can feel like the ultimate insult. But “you mustn’t let one departure get to you,” says Fernández-Aráoz. “Don’t overreact. And don’t badmouth the person who is leaving — it will reduce your credibility.” Remember: “a certain degree of turnover is inevitable.” Sullivan agrees. In some cases, “there’s nothing you can do,” he says. The employee just needs to go someplace new or try his hand at a start-up. “You can’t keep everyone.” But you can retain your relationship with the person who’s been poached. “Sometimes the best strategy is to let them go and hope that they miss you and want to come back in the future.”

Principles to Remember

Do

- Pay attention to signals that one of your team members may be entertaining offers and ask if there's anything you can do to fix things
- Check in with your team periodically to make sure employees feel challenged and engaged
- Identify the employees you cannot afford to lose and devise personalized retention plans for each

Don't

- Jump to a counteroffer; it doesn't make sense to pay up to keep an unhappy worker
- Discount perks like flex-time as a key retention tool; eliminating frustrations can go a long way toward keeping your best people happy
- Overreact; some degree of turnover is a natural and necessary part of business

Case Study #1: Stay in touch with employees who leave

Garrett Harker, a Boston-based restaurateur, is philosophical when it comes to poaching. "I have come to understand that there's give-and-take in the restaurant industry," he says. "This business has a lot of fluidity."

Of course, that doesn't make it any easier to lose bright young talent. Several years ago, Jillian, a rising star at one of Garrett's top properties, Eastern Standard, came to him with a request: she wanted to be a general manager. "She was talented and had come up through the ranks and put herself through a rigorous wine training," Garrett recalls. "The problem was I didn't have anything for her at the time."

And so, Jillian left for a competitor. "She had an opportunity to open a new restaurant," says Garrett. Some colleagues at Eastern Standard were frustrated, recalls Garrett. "They felt hurt—people had invested a lot in her," he explains. "But I didn't feel that way. I put myself in her shoes and I understood why she left. She wanted a new experience, and she wanted to expose herself to new things. I gave her a hug and told her she'd be great."

But he made sure to keep in touch with Jillian through email, phone calls, and visits to her new restaurant. "When she had a challenge in her new job, she'd call and we'd talk about it," he explains. And when Garrett opened a new oyster restaurant in Boston's Seaport in 2013, Jillian agreed to be its general manager. "She came back to us," he says. "And to our benefit, she had learned a lot and is a more fully formed individual."

Garrett says he took two lessons away from the experience: First, "never dissuade someone who's been presented with an opportunity to ascend and to learn a new skill set." Second, "It's so important not to lose contact with your people even when they leave."

Case Study #2: Cultivate a positive work environment

Jeff Francis, the COO of Copper Mobile, a Dallas-based mobile app development firm, says that poaching is "pretty common" in his business. "Our product is our people, and we have really good ones [so] there is usually a good chance the client will try to recruit them."

As a result, he sees non-compete and non-solicitation agreements as a necessary tool. "We don't want to appear hostile to our employees or clients, but we also have to do what's best for our company," he explains.

Several years ago, one of his local clients needed a topnotch iOS developer and so Jeff put one of his best guys—we'll call him Sam—on the job. "Once the customer realized how good Sam was at his job, he came to us and said he wanted to hire him" even though language in the contract between the two companies prohibited it, Jeff recalls.

They tried to negotiate a deal whereby the client would pay Copper Mobile a "placement fee," but couldn't come to terms, and the client hired Sam anyway. Disappointed, Jeff reluctantly pursued legal action and won. "I said I would never want to prevent an employee from making the right move for his career or for his family but I was upfront about what was going to happen," he explains.

Jeff still believes that non-competes are important "preventative measures" against poaching but, following this incident, he is also much more proactive about making Copper Mobile "the type of organization that employees don't want to leave."

"Really good developers want to enjoy their work environment, be challenged, feel appreciated, understand how their performance is measured, and be rewarded for great performance," he says, noting that Copper Mobile hasn't had any problems with employees being poached in a long time.

Rebecca Knight is a freelance journalist in Boston and a lecturer at Wesleyan University. Her work has been published in The New York Times, USA Today, and The Financial Times.
