

Turnover creates a crushing ripple throughout an organization. Ground zero is the department suffering the loss as managers and co-workers scramble to fill the void. Next comes the HR department, and the time and expense to re-fill the vacancy. Finally, and most seriously, come the customers.

*Turnover puts customer relationships in jeopardy.*

BEST

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# *Employee Retention*

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PRACTICES

A SUMMARY  
BASED ON  
RESEARCH BY  
B. LYNN WARE,  
Ph.D.

### WIN THE WAR FOR TALENT

First, hum a few bars of the theme from *Mission Impossible...*

Dunt dunt, den neh neh,  
Dunt dunt, den neh neh,  
Dunt a dunt, dunt a dunt, dun nunt

Your mission, should you choose to accept it, is to retain and develop your most critical resource—the talented people who work for your organization.

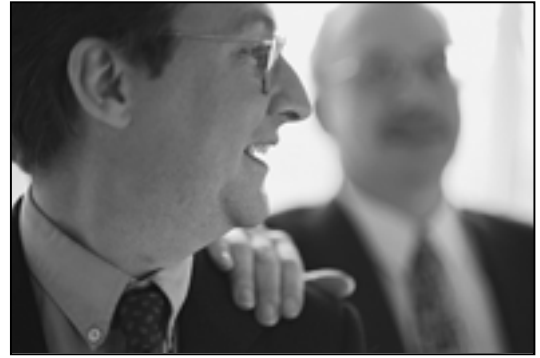
It isn't exactly "Mission Impossible," although it may seem that way. Talented people are scarce. Competitors have become ruthless in their attempts to capture valuable personnel. Years of downsizing have turned worker loyalty into a figment of the past. And skilled employees are exacting their revenge, job-hopping at the drop of a hat, stirring up a profit-sucking wave of employee turnover.

The war for talent is raging across America. Will your business emerge a victor or casualty?

### THE WAR IS WINNABLE

Is turnover inevitable? No! While some attrition may be beneficial, none is necessary. Solutions exist, and the time to act is now.

Management consultant McKinsey and Company, assessing the situation, puts it bluntly: "The supply of tomorrow's executives is declining. Small companies...and the lure of fame and stock options—are increasingly attractive. Corporate



life no longer appeals so strongly to talent. Poaching is rising to a fevered pitch. And executives are more mobile. Headhunters acknowledge that the number of companies an executive will work for in a career has jumped from three 10 years ago, to five today—10 years from now that number will be seven."

According to Dr. B. Lynn Ware of Integral Training Systems, companies aren't moving swiftly enough to curb attrition, which can exact a staggering cost from an organization. One technical company in California's Silicon Valley conservatively estimates that it costs an average of \$125,000 when one employee leaves. Yet, Dr. Ware has witnessed companies that through aggressive employee retention programs have reduced turnover by more than 40%—without pushing compensation through the roof.

### UNDERSTAND CASUALTIES

Corporate America's standard thinking is that an employee leaves for one reason—compensation. Yet Dr. Ware warns executives that this is a false and damaging assumption.

Employees first consider leaving for other reasons, such as the lack of professional development opportunities or the absence of feedback on job performance. Dr. Ware's research showed that employees consistently left because something had deteriorated in their work environment.

To improve retention, discover the causes of defection. But don't rely on traditional exit interviews for your information—most often people don't honestly report the negatives. To more accurately assess the causes of attrition, create a new exit review process that analyzes both



## COUNTING THE LOSSES

If there's any doubt that attrition is a drag on the corporate bottom line, pull out a pad and pencil and do some quick math. Knowing the cost of losing and then replacing an employee will help you determine how much you can afford to invest in keeping them. Expenses to consider:

### Productivity costs:

- Low productivity of departing employee
- Rework for defective work / poor quality
- Disruption to management and co-workers of departing employee
- Training time for replacement
- Overtime required to bridge gap during replacement hiring period

### Business costs:

- Customer attrition
- Loss of customer confidence

### Hiring costs:

- Advertising and attracting applicants
- Conducting job interviews
- Testing potential employees
- Travel and moving expenses for a new hire
- Pre-employment administrative expenses
- Medical exams

### Intangible costs:

- Morale
- Additional turnover
- Loss of group synergy

the positives associated with the new job and the negatives with the one at your company.

## YOUR SECRET WEAPON: GET OFFENSIVE

Make employee retention an ongoing goal at all levels of management. Each contact between a manager and an employee should maximize any opportunity to influence the worker's motivation and commitment. "Treating retention as an ongoing priority enables the manager to focus on proactive measures to sustain long-term employee commitment, rather than on reactive attempts to reverse surprise resignations," researcher Dr. Ware says in her report.

## BATTLE PLANS

### 1. Create a great company with great jobs

According to McKinsey, companies have to create a winning "value proposition" for employees. A survey of 6,000 executives found they were looking for a "great company" and a "great job," which includes an appealing in-company culture and inspiring values. People have to think and feel positive about the firm and the bosses for whom they are working.

Make your organization a place where people want to work. Foster strong values and a great culture. Create incredible jobs—ones where superstars have opportunity for rapid advancement, people receive extraordinary

professional development, and where compensation differentiates. Don't be afraid to attack outdated reward systems—if you don't pay what it takes to retain top performers, your competitors will.

### 2. Make retention a corporate imperative.

Elevate employee retention to a strategic objective. McKinsey's research revealed that leaders in the best companies demand candid, probing insight about people, and differentiation based on performance. They create a culture where it's expected that the career track of the best people will be accelerated—and that others will be truncated. In these organizations, line managers are held accountable for managing the quality of their talent.

### 3. Develop retention practices and systems

Managers play a significant role in an employee's commitment and retention. Good retention practices focus not only on what the employee is contributing to the organization, but also on how the manager can create a climate that creates long-term commitment. Enlightened leaders balance the needs of the organization and the employee.

Managers must discover ways to give jobs stretch and autonomy," says the McKinsey report. How that is accomplished depends on the creativity of the managers. Managers can learn measures, such as positive reinforcement, and use organizational resources to help motivate and retain employees.

Though managers play a crucial role in retention, they do not control all the factors that affect turnover. Many organizational systems and processes also affect retention. For example recruiting procedures play a large role in retention by focusing on the right employees up front. Other systems to consider include performance evaluations, pay equity, operating procedures, and communications processes. All play a dramatic role on job satisfaction.

#### 4. Make people accountable.

McKinsey reports that in most companies, line managers are not accountable for the quality of their people or organization. And Dr. Ware notes that many executives are not even aware of their attrition rates. Measurement is the only way to assure that retention becomes an ongoing priority. Track retention statistics and hold people accountable for improving them. Learn attrition rates for all types of positions *and* for different types of performers within each position. For example, are your top performers leaving or are

the weaker ones going? The tenure patterns of departing employees can reveal information about the causes of attrition.

#### 5. Find great talent, and develop it.

Building a great talent pool starts with bringing the right people into the company. Surveys show that high-performing companies possess a clear idea of the type of individuals they want, they promote them early and often, and they flood the workplace with feedback and coaching.

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### **BRAIN DRAIN**

#### **IF YOU CAN'T KEEP 'EM, KEEP WHAT THEY KNOW**

OK, so one of your valued employees has resigned and the decision, she says, is irreversible. You can mitigate the loss somewhat with a thorough exit interview. Debra Speight, vice president of Harvard Pilgrim Health Care, has devised a method for "downloading" an exiting employee's workplace knowledge. It's dubbed the knowledge-bounty program.

"We realized that if we're going to talk about knowledge as an asset, then we'd better put a price tag on it. Once we decided to pay for it, the challenge became, 'How do we demonstrate that knowledge is valuable without rewarding people for leaving?' Our answer: Offer bounties to incoming as well as outgoing staffers."

"New hires fill a 'job workbook' with job descriptions and answers to major questions: What are the key components of your job? What does it involve, from a knowledge standpoint? What do you think you need to learn?"

"With people on the way out, we ask the same questions and more: What knowledge do you need for your job? What secret code words and procedures do you use? How does your job fit into various processes?"

Individuals present their answers to senior management, who determine the worth of the information. Then the company pays for it, anywhere from \$1,000 to \$5,000, depending on the quality.

"We're not trying to break the bank," Speight says. "We're just trying to demonstrate how much we value knowledge here. The process itself has been priceless. It may even cause our turnover rate to go down. When people understand exactly how much you value their knowledge, they're less likely to leave."

Source: Fast Company Online

### **RETENTION:**

#### **A WAR YOU MUST WIN**

The churning of today's workforce is eating away at the profitability of even the healthiest corporations. Even when the bottom line isn't seriously impacted, the loss of several key employees who have special expertise or who maintain valuable customer relationships can shake an organization to its foundations. In these high-stakes, unpredictable times, it is imperative that corporate officers keep attrition in check and create an atmosphere where talent thrives. The alternative is unacceptable.

It's time to wake up to that fact, and to realize there's a battle for talent. And in combat, the prepared prevail.

Mission: Accomplished.

#### Resources:

The Workforce Attrition Crisis, B. Lynn Ware, Ph.D., president, Integral Training Systems, an organization specializing in the development of employee retention and talent alignment programs. To help your organization reduce unwanted attrition, call (650) 726-3373.