Employee Retention in an Improving Economy

Strategies for winning the war for talent

There's a war coming.

But instead of playing out on the rugged terrain of distant continents, this war will be waged on our soil. Across the country, employers will engage in a fierce, prolonged battle to hire and retain top talent.

"But, unemployment is still high," you say. "But I'm flooded with résumés every time I post a job," you declare. These statements are both true; however, if you look around the next corner, like HR guru, Dr. John Sullivan, here's what you'll see:

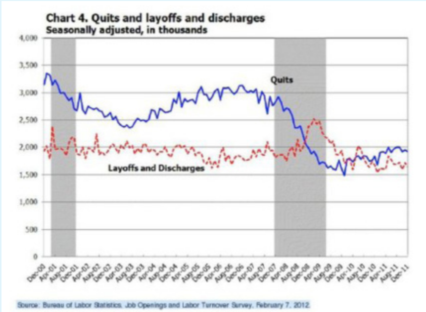
"Not just in the Silicon Valley, but also in Australia, as well as parts of Canada, India and China, (businesses) are already involved in the latest round of the 'War for Talent.'"

(Source: The War for Talent is Returning; Don't Get Caught Unprepared,
Posted by Dr. John Sullivan on March 19, 2012)

According to Sullivan, businesses like yours will be forced into battle next. If you don't want to take Dr. Sullivan's word for it, consider these sobering hiring and retention statistics:

1. In an interview with CNN, Bureau of Labor Statistics economist John Wohlford said the number of job openings has increased 46 percent since the start of the recession. (Source: Hiring in a hurry picks up, http://management.fortune.cnn.com/2012/04/30/hiring-in-a-hurry-picks-up/)

2. The Bureau of Labor Statistics announced in February that the number of workers quitting has been on a steady incline since its low point in December of 2009. This increase in "quits" is a sign of returning economic optimism. Those who are dissatisfied with their current work situation are becoming more confident about their job prospects--so much so that they're willing to leave their current job to search full time.



3. A recent survey of recruiters showed that 28 percent of the job openings employers had in January were due to employee resignations--up from 21 percent in July of 2011. (Source: MRI Network Recruiter Sentiment Study 1st Half 2012, http://www.mrinetwork.com/media/169817/mrinetwork_recruiter_survey_report__2012_1st_half_.pdf)

Turnover–An Expensive Proposition

Every time you lose a valued staff member, you're losing money right off your bottom line. In addition to the direct costs of recruiting, screening, interviewing, hiring and training a replacement, you also incur "hidden" expenses, such as: opportunity costs (time HR and hiring managers could be spending on other productive activities); costs of vacancy in the position (impact on customers and team/department members, lost productivity); and costs of replacing knowledge that leaves with the employee.

The high cost of turnover, combined with recent changes in our economy, make employee retention more critical than ever. Though our economy is still undeniably volatile--and will likely remain so for a long time--your company must prepare itself to once again fight to attract and retain the best and brightest.

While paying employees well should certainly be a key piece of your retention strategy, it's not the only way you can keep people working for you. Beyond salary and other bonuses, here are highly effective retention tactics for five key workforce demographics. Many of these ideas will be applicable for several groups.

Retaining High Performing Managers

High performers are deeply invested in their work. They put in significant overtime and make personal sacrifices to pursue professional goals. Not surprisingly, top managers expect their jobs to be a source of fulfillment and prefer to work for companies that recognize their skills and support their career aspirations. If they feel unappreciated, underutilized or "stuck" in a dead-end position, they're much more likely than average employees to look for better opportunities.

As a proactive leader, your retention strategy for experienced managers should be multi-faceted and key into the values most important to this group:

Work / life balance. Balance may well become the most valuable retention tool of the 21st century. The ability to leave work at work, and have quality time to spend with family, is priceless to most people--but especially important to 35-44 year olds.

Help them strike a good balance between work and play, and they'll be less likely to seek these opportunities elsewhere. Offer flexible work schedules; allow managers to work remotely when appropriate (as long as their work is done well and on-time); encourage them to use their vacation time--especially workaholics. Reinforce these efforts with planned fun, including off-site team building and/or social activities.

Understanding business recovery plans. Many managers leave their employers out of "fear of the unknown"--so give them the strategic information they need. As we emerge from the recession, tie key managers to your company's recovery strategy. Use their ideas, skills and wealth of experience to plan new initiatives, expand product offerings or drive innovation. If your managers understand your company's long-term plans, and feel that they are part of the solution, they will stay engaged and be more likely to stay working for you.

Making a difference–not just a living. Doing work with meaning is vitally important to most managers, as it helps them be a part of something larger than themselves. Examine your mission statement with your best managers. If it sounds too self-serving, discuss ways to revise it and connect it with a purpose--something bigger and better than just earning money.

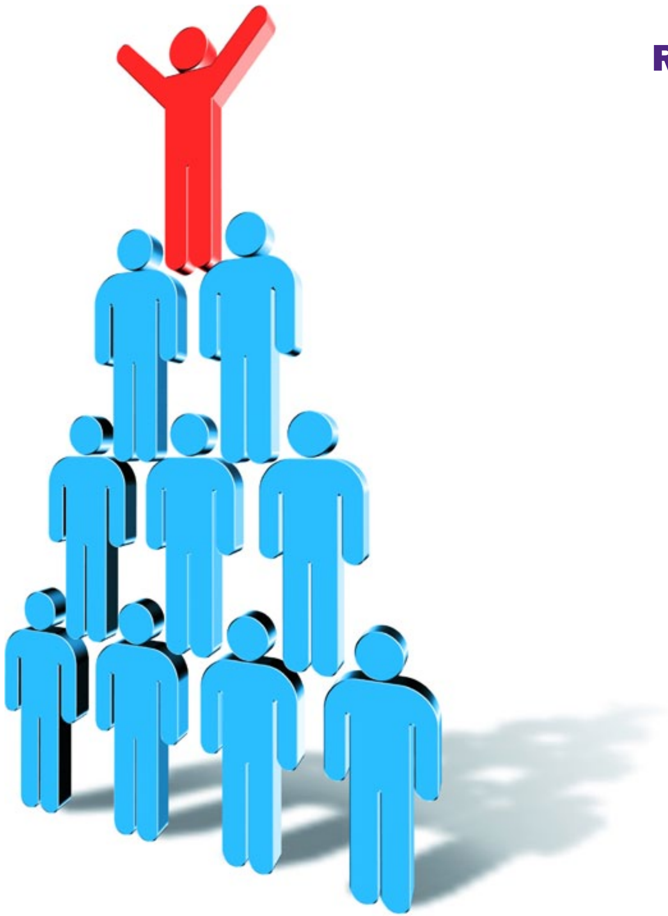
Alternately, discuss ways your company could give back to the community. Fundraisers, service projects, adopting families in need and volunteering for nonprofits as a company are all excellent ways to build camaraderie and fulfill managers' need to make a difference.

Retaining Entry-Level Workers

While many organizations focus retention activities on higher level employees, smart business managers also recognize the importance of reducing turnover in entry-level staff. A "revolving door" of workers is more than inconvenient; it can critically undermine your company's quality, service, morale and productivity. Here are two ways to stop the vicious cycle of entry-level turnover:

Develop leadership skills. When possible, use challenging "stretch assignments" to motivate workers, facilitate skills development and build coalitions. To retain talented entry-level employees, Steve Ford, chair of OI Partners (www.oipartners.net), recommends that you "look for opportunities where members of your team can step into leadership roles. That may mean you have to be in the background more and become comfortable with sharing the spotlight," but it's a small price to pay if it enables you to retain and develop tomorrow's leaders.

Give them a voice. Being listened to and heard by others is a sign of being respected and valued. Today's employees want a voice--to state problems, share ideas and make suggestions. Try holding "50/50" meetings, where management speaks 50 percent of the time on their goals, vision and mission, and where employees then have an equal chance to raise their own questions and issues. In-depth, straightforward communication through a variety of channels will help even entry-level employees feel like they're a meaningful part of your company. Hear them out, and you'll curb negativity and keep them both invested and engaged.



Retaining Knowledge Workers

Diverse, demanding and socially aware, IT millennials are creating a major paradigm shift in the workplace. To keep the best and brightest working for you, stay flexible and accommodate their needs as much as possible. Here is what will keep knowledge workers in the fold:

Understanding their needs. Instead of trying to change knowledge workers, work with them. If necessary, educate your leaders about what makes this type of employee tick. Explain their need for job control, desire for more flexibility, craving for reassurance and hunger for new technology. The more willing your staff is to accommodate IT and other knowledge workers' needs, the higher your rate of retention will be.

Challenging work with opportunities for advancement. Money is important, but it's often not the ultimate motivator for knowledge workers. If your company isn't able to offer the highest pay, entice IT professionals with something they want more: career advancement. Let tech employees know what they can strive for and lay out career path options for them. Show them where they could be in 5 to 10 years if they exceed expectations with your company.

New technology. Tech-savvy workers have a strong desire to learn new skills and use bleeding-edge technology. So meet them halfway. Conduct periodic focus groups to keep tabs on your millenials' technology needs. Then, whenever fiscally appropriate, allow your employees to spread their wings by testing and integrating new tools or languages as soon as they are available.

Why Do Young Managers Leave?

1. The job/workplace wasn't as expected.
2. There was a mismatch between the job and employee.
3. The employee receives too little coaching and feedback.
4. The employee has too few growth and advancement opportunities.
5. The employee feels devalued and unrecognized.
6. The employee is stressed from overwork and work/life imbalance.
7. The employee loses trust and confidence in senior leaders.

(Source: "The 7 Hidden Reasons Employees Leave" by Leigh Branham at the Saratoga Institute)

Retaining Young Managers

Eager, enthusiastic and full of fresh ideas, today's younger workers are looking for more than just a job. They want to learn as much as possible, and they will stay with an employer who provides opportunities for long-term career growth.

To develop and retain your company's future leaders, focus on communication, coaching and trust:

Establish well-defined career paths. Young managers will often wonder, "Where am I going?" Keep them in the loop by discussing the future of the organization and their future within it. Give them an idea of when promotions, bonuses and pay raises will likely occur; detail the organizational hierarchy; show them where they are headed in your company; and discuss a five-year plan that fits with business objectives and meets young managers' need for growth.

Provide proper training. Gen Y wants to know that their bosses are helping them further their professional development and career goals. To keep them working for you, offer opportunities to attend trade shows, seminars and networking events. Make trade publications, books on leadership/business strategy readily available to them. Beyond job-specific training, help young managers develop their soft skills through case study exercises and self-study programs. Bottom line, do whatever you can to keep their long-term career goals on the same path your company is traveling.

Maintain clear communication. Young managers must feel they can go to their supervisors to talk through challenging issues. To retain them long term, let them know where they stand. Clearly outline performance expectations and provide frequent feedback outside of annual performance appraisals.

Create a culture of trust. When it comes to young talent, you create loyalty by getting them involved in the big picture--not just day-to-day tasks. Provide opportunities for their input to make a real impact by: inviting them to strategic planning meetings; asking them to lead meetings or prepare/give presentations; asking them to contribute their ideas for the future vision of the company.

Retaining New Hires

According to Tim Augustine, co-owner and managing partner of The Herman Draack Company (an HR consulting firm specializing in strategy implementation, executive recruitment and project outsourcing), most employees decide if they will stay with an organization within the first 90 days. As such, your retention strategies for this group of employees should focus on their first weeks and months with your organization.

Create an orientation program that helps each new hire learn everything he can about:

The company. Teach him all about your organization's history, mission, values, vision and direction. The more he knows about your company, the better he'll be able to identify with it and find his niche within it.

The position. As the manager, you need to describe your expectations, as well as the expectations of internal suppliers and internal customers. Additionally, describe the tasks and activities associated with the role, highlighting the critical success factors you will use during performance evaluations.

Company processes. Do not expect your employee manual to cover everything. Help the new employee understand how things run within your organization, explaining team norms and politics, work hours, attendance and inter-team communication.

Product/services. Use experts on your team to provide a solid understanding of your products/services, as well as the reasons customers buy from you.

Personal effectiveness. Address both the personal and professional development of the new employee, including training and educational opportunities, personal growth and career advancement.

By implementing this type of orientation program, you will realize a significant improvement in employee retention--and increase your new employee's motivation, confidence and engagement from day one.

Conclusion

As our nation continues to add jobs, retention strategies will become even more important for your business. Before you find yourself in a turnover crisis, take stock of the ways you incent your best employees to stay working for you. Do you provide them with meaningful work? Do you acknowledge employees' non-work priorities? Do you provide sufficient training and opportunities for professional development?

If you find that your organization is falling short in any of these areas, use the suggestions outlined in this ebook to give your staff a voice, the balance they need, and fulfilling work. Do this, and your employees will no longer have to look for greener pastures. Deep down, they'll know that they are experiencing the best an organization can offer--a place where they are valued and respected not just as workers, but as fellow human beings.