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Create a Competitive Advantage through Retention

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Six Ways to Preserve Your Most Valuable Asset: People

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Talent retention is no longer just on the radar screens of human resource professionals, but is now a top priority for corporate executives. And for good reasons. Companies are seeing the number of voluntary resignations go up from year to year instead of go down.

According to a recent Monster-sponsored study, 40 percent of the 600 HR managers surveyed have seen turnover within their organizations increase in the past twelve months and 55 percent expect workforce retention will continue to be a high to very high challenge over the next five years with 40 percent of companies reporting direct costs of \$5,000 to \$20,000 to replace a single employee, according to a recent talent retention survey.

Other research supports the retention concerns of HR and top management—such as a Yahoo HotJobs survey of 5,300 adults that revealed two-thirds of respondents are open to switching jobs. And a Society for Human Resource Management (SHRM) poll of about 420 middle-management and non-management employees indicated that as many as 76 percent of respondents are currently or open to looking for new employment.

The results of these surveys indicate that the majority of employees are certainly open to switching jobs but only a smaller portion has actually made the decision to leave. Companies who can quickly implement changes that successfully address employees' reasons for leaving may be able to increase retention while attracting employees from competitors. In the current environment where employee turnover rates can range from 10 percent to 40 percent, improving retention alone can create a competitive advantage for an organization.

Why People Are Leaving

Before an organization can take the necessary steps to reduce turnover, it first needs to know the reasons why people are leaving—or thinking about leaving. Surprisingly, only 69 percent of companies use employee satisfaction surveys on an ad-hoc basis and only 32 percent implement personnel and workplace changes as a result of the findings, according to the Monster study.

The actual reasons why employees leave vary depending upon the company, but recent surveys can shed some light on what people are thinking:

*The SHRM poll cited the top three reasons as better compensation elsewhere, better career opportunity elsewhere, and being ready for a new experience.

*Employees rate good relationships with managers as one of the top factors that keep them in their current jobs, according to a 2006/2007 Employee Satisfaction and Retention Survey by Salary.com. People tend to join companies for factors such as pay, benefits, and the job itself, but once they are settled into their positions (about 90 days) a lack of trust in their managers is one of the biggest reasons why they leave.

*A new Selection Forecast study discovered that feeling under appreciated and the perception of being treated unfairly were two reasons for turnover that resonated significantly higher with employees than with HR managers.

*This study also revealed that HR professionals may grossly overrate external factors like returning to school or a spouse being transferred as the most important reasons for employee turnover. Approximately 52 percent of staffing directors and hiring managers believe external factors are the cause for leaving, while only a mere 10 percent of employees reported that was their most important reason.

Understanding employee attitudes is increasingly critical to managing retention. And while the majority of companies use monitoring tools such as onboard interviews and exit interviews to gauge satisfaction, most organizations do not place much emphasis on assessing satisfaction in between these employment stages. Monitoring attitudes throughout the employee lifecycle will allow organizations to implement feedback into the working environment on an ongoing basis.

Six Ways to Ensure Employees Stay

Given the financial, organizational, and market impact turnover can have in today's war on talent, companies must view the problem as a business problem, not simply an HR issue, in order to successfully address it. So what can companies do to boost retention? Here are some suggestions:

1. Educate employees on the fair market value for their position.

In the Employee Satisfaction and Retention Survey by Salary.com, nearly 50 percent of employees believed they were underpaid. But after analyzing the data, Salary.com found that less than 22 percent were actually paid below the fair market value for their job. Since many employees do not know what a competitive salary is for their position, they assume the grass is greener elsewhere and start to conduct a job search. Employers should provide information demonstrating that their compensation is indeed competitive or make adjustments if its not.

2. Make sure job titles truly reflect the roles and responsibilities of employees.

The Salary.com survey also found that inflated job titles may have contributed to some 30 percent of respondents feeling underpaid. These results seem to indicate that granting a higher title without a commensurate increase in salary will soon leave employees

feeling undervalued even if their current salary is truly competitive given their responsibilities.

3. Promote a real sense of work/life balance.

Many organizations say they want their employees to attain a proper balance between their jobs and personal lives, but how many really live up to it? According to a recent Yahoo! HotJobs survey, more than half of the people surveyed said they have to work on their days off at least once per month, and more than 33 percent said they do some aspect of work every single day. While a high salary is important for many employees, the survey found that 90 percent of respondents believe they need to have work/life balance along with a feeling of fulfillment in order to feel successful in their positions.

4. Build an employment brand that motivates employees.

A successful employment brand will position your organization as a well-managed company and good place to work, which will in turn reduce turnover while increasing both the number and quality of applicants. Employees who take pride in their company, its practices, and its leadership tend to be more engaged and more productive as a whole.

5. Hold managers more accountable for the retention of their staff.

Since the relationship employees have with their bosses can be a significant factor in their decision to stay, managers should be empowered to create an environment of trust and engagement. Coaching, training, and feedback exercises can all help managers build the necessary skills to positively affect turnover rates.

6. Make recognition a part of your company's DNA.

Recognition and rewards should be personal, establishing a positive and tighter bond between employee and manager and employee and the company. To attain such a bond, recognition should be given on a routine basis, not just at the annual employee appreciation event. Managers aren't the only ones who should be praising employees. Co-workers should also praise their peers for a job well done and executives should recognize employees who have gone above and beyond their duties. Creating an environment where people feel valued will make it that much harder for employees to leave if opportunity knocks at another company.

Companies that do not address their retention issues now will likely find themselves in a critical staffing shortage down the road as the war for talent heats up. Those that do will be able to preserve and develop their most valuable asset: their people.

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