

WORKPLACE STRATEGIES

People.Management

Slowing the Revolving Door

Human resource professionals worldwide have increasingly warned business of a skills shortage and South Africa, unfortunately, appears to be no exception to this global phenomenon.

A skills shortage has a number of negative effects on the labour market. The most obvious ramification is the difficulty of filling vacant positions with qualified and experienced recruits. Equally significant is the challenge of hanging on to what you have, that is, retaining top performers in times of skills shortages.

Very few South African companies are in a position to influence the lack of competent jobseekers. However, all employers can take steps to ensure that they 'slow the revolving door' when it comes to employee attrition. If you have employees that you cannot do without, we can help you retain them.

Measuring Employee Attrition

The first step that employers should take is to gauge the seriousness of the issue by measuring employee attrition rates. For many employers, particularly small to medium businesses, this won't be difficult; they can simply recall the number of employee farewells they have recently attended! For other companies, analysis of the issue will be important. A simple way of calculating employee attrition rates is to divide the number of employees who have departed the organisation in any given year, by the average number of employees in that year and multiply by 100. Obviously, the lower percentage, the lower the rate of turnover.

The next step is to measure your organisation's attrition rates against industry standards, assuming you are able to source that information (ask your industry associations). Some industries inevitably face greater challenges in retaining staff than others. If your attrition rate was around 15%, it would be an acceptable result for a company in the retail or hospitality sectors, but a poor result for most other sectors.

You're Not Alone

Interestingly, statistics indicate that employee retention is an issue faced by all employers, even those who have a reputation as employers of choice. Organisations featured in *Fortune Magazine's* "Best 100 Companies to Work For" also have difficulties retaining staff, the poorest performers being in the business services and retail industries (they regularly have attrition rates of 23% and 22% respectively). In 2007 Fortune Magazine declared Quicken Loans to be the second best employer to work for in the United States (behind only Google), yet the organisation had a voluntary staff turnover rate of 26% of employees in 2007.

Slowing Attrition Rates

There are a range of methods that employers can adopt to slow the revolving door and this article details the types of issues that need to be addressed when implementing an employee retention program.

1. Recruit Right

The so-called 'war on talent' – the challenge of keeping an organisation's valued performers - begins even before the employment relationship; at the recruitment stage. It is not easy in times of skill shortages, but employers must strive to recruit the right people in the first place. Poor recruitment decisions invariably lead to high levels of staff turnover.

How do you recruit right? Ask yourself these questions:

- Where do our recruits come from; are we casting the net wide enough when it comes to recruiting?
- Are we advertising in the right places?
- Are we asking the right questions in the interview process?
- Should we consider pre-employment behavioural assessments as a means of putting the right people into the right positions?
- Are the right people making the recruiting decisions?
- Do we adequately induct new employees?

2. Identify Talent

One of the obvious ways to respond to a skills shortage is to identify talent within your own ranks. The need to identify talent cannot be under-emphasised in the context of employee retention. There is a significant amount of empirical evidence showing that one of the major reasons that employees depart an organisation is because of feelings of being under-utilised.

How exactly do you identify talent? Try these steps:

- Conduct a skills audit or interview employees about their skills. Staff may well possess previous employment experience or unknown qualifications that could be invaluable skills for your organisation.
- Speak to your staff about their personal objectives; you might find that an employee's career progression plan suggest hidden talents.
- Consider behavioural assessments as a means of ascertaining who has particular talents for specific jobs. You may find your receptionist has all the inherent requirements of a star sales consultant.

Companies wanting to learn how to identify talent would do well to analyse what occurs in the sporting area. Professional sporting teams commit substantial time and resources to identifying talent within their ranks. From an early age competency testing is undertaken, purposeful skills development programs are implemented and clear career progression plans are put into place.

3. Listen & Engage

There is no doubt that workplaces are very different environments to what they were a generation ago. Gone are the traditional hierarchical structures where staff simply carried out the instructions of their supervisors, often with little understanding of the organisation's activities outside their own department. In place of this type of culture is a move towards engaging staff; challenging and consulting with employees in an effort to get them to 'buy-in' to the company's mission and objectives.

Communication is often the key here. Like any relationship, an employment relationship benefits from clear and open communication channels. Employers who

take the time to listen to the views of their staff invariably benefit not only from the information gained, but also from the process itself; it leads to employees who feel that their employer values their input. You may ask why is any of this important? Employees that are engaged with their work are unlikely to be 'clock-watchers' intent on carrying out only their prescribed duties. Instead they will approach their employment with considerable flexibility, wanting to understand more about how the organisation functions and constantly looking for better systems and processes that work towards the company's objective.

Listening and engaging with employees isn't rocket science, but it can be poorly managed. The golden rule for any employer is listening and reacting. If you want to engage staff, you must listen. If the listening process results in practical and commercial suggestions, you must act on those. If you're asking but listening, or listening but not reacting, the process will not assist employee retention.

4. Remunerate

Remuneration strategies remain a critical part of employee retention efforts, though historically they have been treated as one and the same. Paying above market rates was, for many organisations, the beginning and the end of their employee retention strategy. Not any more. When employees are asked what they value most from their employer, remuneration is rarely in the top five responses.

Remuneration strategies that assist with employee retention strategies need not just be about paying above-market rates. There's no doubt that on occasions that helps, but 'bribing' talented employees to stay is frequently unsuccessful because of a tenuous link between remuneration and long-term commitment.

Companies can be smart about how they remunerate, particularly in relation to incentives. Employee incentive schemes remain an effective way of motivating (and therefore retaining) many types of employees. A good example is the retailer that established a trust fund for their employees based on company performance and continuity of service. Over time, the beneficiaries of the trust (the employees) derived returns that far outweighed their salaries and resulted in outstandingly low attrition rates. Incentive schemes achieve two things. They 'catch the eye' of a top performer, rewarding them for their achievements. But they also affect others, sending a message to poor performers that they are not meeting expectations.

5. Reward and Recognise

If an employer has not appreciated the need to recognise the positive contributions of staff, they are likely to be reminded if and when it takes the time to listen and engage with employees. Simple acts of recognition are overlooked in almost every organisation. The fact is that employees who have their positive contributions recognised and appreciated are unlikely to search for greener pastures elsewhere.

Reward and recognition need not be a costly exercise and it can be tackled on a formal or informal basis.

Informal recognition initiatives can be a part of every business. Again it's not rocket science. What we are talking about here is saying 'thank you, your efforts are appreciated' via a group email, in the staff newsletter or some other forum. Taking the time to do these simple steps fosters good working relationships and will positively affect retention of key staff. Informal recognition is swift, inexpensive and it works.

Formal recognition initiatives typically utilise non-monetary rewards as a means of recognising the contribution of high-performing employees. Household appliances, gift

cards or travel opportunities are used to reward employees. Over the course of time, a high-performing, well-rewarded employee develops strong feelings of loyalty towards their employer, which of course has positive ramifications from a retention point of view.

6. Lead and Inspire

The often-quoted adage “employees don’t leave bad jobs; they leave bad bosses” appears to be alive and well in the labour market and organisations facing high rates of employee attrition must undertake an analysis of their management team if they are hoping to reduce turnover.

We have all worked for a manager who may have great technical skills and knowledge but lack crucial people skills and has little appreciation of effective communication. If you have these people in your organisation, they may well be driving out key performers.

Give some thought to whether your management team are leading and inspiring. If not, training on management skills can be effective and is at least a starting point. Recruiting the skills of your HR Unit to mentor managers on leadership issues and solutions is also recommended. Don’t forget that a manager is being paid to manage – why not include acceptable levels of employee turnover in a manager’s KPIs?

7. Develop

At the risk of stating the obvious, an employee who feels that their job is sufficiently developing their skills and experience poses a far lower chance of departing an organisation than an employee who feels they are stagnating. In other words, if you’re not developing the capabilities of your employees, they’ll look elsewhere for an organisation who will.

Some companies make the mistake of attributing development to external training programs and rapidly rush to their budgets to determine whether it’s all possible. What they fail to appreciate is that the development that an employee obtains through interaction with their colleagues far outweighs the knowledge obtained from external training. On-the-job training and experiences need to be considered to maximise their potential. Employees should be stretched at times and be put into environments where they are slightly outside their comfort zones. You could call this ‘trial by fire’ or ‘thrown in the deep end’, but from an employee development point of view, nothing works better.

8. Rinse

There are few things that frustrate high performing employees more than an organisation’s tolerance of poor performers. The reality is that clearing out ‘dead wood’ can have positive effects on retaining key staff. If your organisation is suffering high rates of attrition, perhaps its time for a rinse. To adopt Jim Collin’s analogy, at times a company must make the difficult decision to get the wrong people off the bus to enable the right people to get on.

Conclusion

The above initiatives are by no means an exhaustive list of ways to slow employee turnover. Your retention strategy needs to be tailored to suit the particular circumstances; what works for some organisations will not work for others. Given the substantial costs associated with the loss of key personnel (see [Hurting the Hip-pocket – the Costs of Employee Turnover at http://www.workplacestrategies.co.za/whatshot.htm](http://www.workplacestrategies.co.za/whatshot.htm)) financial resources must be

allocated to this important issue. Companies that deal with the issue seriously by funding an employee retention strategy are likely to see a significant return on investment.

Workplace Strategies is a consultancy based in Cape Town that assists organisations with employee retention programs.

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