Employee Retention Strategies  
“Let’s Hang on to What We’ve Got!”

The New Year (and the New Millennium, of course) will soon dawn and force businesses of all sizes to confront a frightening reality. No, it’s not the Millennium Bug—the Year 2000 computer glitch’ that some doomsayers fear will still the world's electronic heartbeat and usher in a new Dark Age.

Instead, it's an all-too-real "daymare" of not finding and keeping enough qualified workers to build/develop and sell your products and services.

Technology-oriented businesses have already experienced a talent shortage, with computer programmers and analysts in such demand that they can write their own lucrative job tickets – who to work for, for how much money, and for what personal perks and benefits.

Soon, all other businesses will experience an even broader worker shortage. This will happen because of two interrelated demographic factors. First, the baby boom generation will begin to cash in their 401(k)s in 2011 and create a tsunami of retirees. Second, their children number far fewer than the members of their own generation. The result?

A dearth of workers at a time when technology, driven by the Internet, likely will have created vast new industries, more start-ups, and fast-growing companies that all need new hires to fuel the growth.

Ripping up the 'social contract'

As if changing demographics and innovative technology aren't putting enough pressure on finding and keeping today's workforce, the rise of "lean and mean" profit-driven business practices of the '80s and '90s—layoffs, downsizing, mergers, and acquisitions – has caused workers to seize control of their own careers and advancement.

Gone is the old "social contract" that many large businesses employed, one in which an employee's hard work, loyalty, and obedience earned job security, more vacation days, and a healthy pension. Present is the contingent worker, the "at-will" worker, the worker as freelancer, either in attitude or reality. This means that the paternalistic boss of yesterday has morphed into the "me-first" workers of today, who can take their skills and sell them to the highest bidder.

In 1997, international career services firm Lee Hecht Harrison questioned human resources professionals about employee turnover and retention at a Society for Human Resource Management conference. Half of the HR managers surveyed worked in companies with fewer than 1,000 employees.

Among a long list of HR concerns, the top two should not surprise a harried HR manager trying to staff a second or third shift. Recruiting and retaining talented workers were the most pressing concerns facing HR today, survey respondents said. So-called "normal" turnover rates ranged from less than 10 percent per year for professional/managerial workers to more than 20 percent per year for nonexempt and support personnel.

The cost of high turnover can be expensive. RampUp, a California HR firm specializing in retention, cites that it costs $75,000 to replace a $60,000 per year informational technology specialist.
This past spring in Anaheim, California, the American Management Association brought together some of the leading thinkers in HR to ponder and discuss recruitment and retention issues in a tightening labor market.

Dr. David L. Stum, president of Aon Consulting's Loyalty Institute, shared with HR practitioners research he has conducted on employee commitment to their employers. In surveying workers, Stum discovered some alarming statistics, as well as some hopeful signposts, that can lead businesses to discover how to retain the talented workers they need.

**On the road again**

Business, like many arenas in American society, is driven by speed and change. So it's not surprising that Aon Consulting has found that the average, publicly held U.S. company loses half of its investors every year, half of its customers every five years, and half of its workforce every four years. Compound that rate of churn with the reality that today's workforce—the most educated, diverse, and entrepreneurial employee body in history, said Stum—is also a tumbleweed when it comes to mobility. Today's high school graduate, Stum said, will change jobs 9 times before age 32.

And despite record prosperity in recent years, employees are feeling more insecure about their jobs than ever before. Employees surveyed by Stum said that their companies' strategic plans all called for "everything to be done better, faster, and cheaper." That tracks with more than half the 700 employees surveyed by Aon claiming that they are "burned out" from overwork. Indeed, some 15 percent say they work more than 50 hours per week.

**What is workforce commitment?**

Despite the long hours, surveyed workers indicated that they would like to build a level of commitment to their workplace. Commitment, Stum defined, can be measured by three attributes: dedication to the team; being loyal enough to recommend the company's products or services to customers; and to tell potential employees that the company is a good place to work; and whether workers intend to stay with the company for the next several years.

Forces that help build this commitment are many, Stum said, and they change with the times and the demographics of the workplace. (Generation X workers, he explained, are fueled predominantly by opportunities for personal growth plus job security.)

But underlying all factors that drive commitment is a good salary. "Pay is expected," Stum told HR managers. That issue must be satisfied before other drivers kick in, he added.

As the workforce has diversified in recent years, with more women occupying more positions, the desire has grown among workers to create a balance between work and their personal life. A company that recognizes employees' personal and family needs is an essential factor for commitment. Such recognition touches all areas of the workplace, from an immediate supervisor's flexibility about the job and hours to broad flexibility in the company's benefits plan.

Many of the companies most commonly cited for their workplace flexibility are innovators in developing new ways to woo and win employee commitment. For example, Fel-Pro, an Illinois-based maker of automobile gaskets, has adopted several innovative work/life balance programs. It also provides interest-free cash advances of up to $2,250 for full-time employees to buy a home computer.
Employees must repay the advance within two years through payroll deduction.

Nucor, a North Carolina steel manufacturer, offers up to $2,200 per year toward college tuition for the children and spouses of employees. "Our turnover," said president John Correnti, "is practically zero."

Following work/life balance concerns as drivers of employee commitment to an employer, the Aon survey continued, were opportunities for personal growth, a belief that the company is dedicated to satisfying customers' needs, clear and open communications about employee benefits, and the belief that workers' skills are keeping pace with the requirements of the job and marketplace.

When does the urge to go begin?

Aon found that college grads show more workplace commitment than high school grads, that employees who have been with a company for a while show more commitment than new hires, that high-salaried workers and higher-level managers both have more roots in a company.

Employee commitment to the company is high in the first year of employment, Stum found, drops after a honeymoon period in the second, third, and fourth years, and rises again in the fifth year of employment. That trend suggests that HR managers might want to develop retention efforts and target them at the two-to four-year group of workers, to get them to re-up for another hitch.

Some industries, due to their rapid growth, suffer from a revolving door of employee turnover. The wireless communications sector, for example, has created an unprecedented demand for technical and managerial employees with cell phone company experience. Competing wireless companies have taken to poaching talented workers from each other, with about a quarter of wireless employees recently surveyed changing jobs in the past year, with 9 out of 10 of them going from one cell phone company to another. Higher salaries was the reason most cited for switching employers, according to a survey by Wireless Week and a unit of Cahners Business Information.

San Francisco-based RampUp, an employee retention firm, has discovered some basic truths about why turnover occurs in organizations. Turnover results from a negative work environment, unattractive culture, poor staffing skills, and bad matches between employees and jobs. Company culture, RampUp said, is a major reason why candidates join. Cultural change, however, is a major reason for leaving. Cultural stability equals retention stability, according to RampUp founder and CEO Miki Saxon.

David Tobias has achieved an enviable average of 20 years' tenure among the professional members of his 75-person workforce, using these techniques: Offer a salary that's 10 percent above the industry standard, take advantage of employees' experience by asking them to play a proactive role in company decisions, use a mentoring system in which senior professionals share advice with newer hires, and give staff members total autonomy to meet the needs of their individual clients. Tobias, who credits his father with establishing the business's retention strategies, feels that a licensed professional doesn't reach full productivity-and peak value as an employee-until after five years, so the business suffers if he loses anyone before that. His enterprise is Tobias Funeral Home, Inc., in Dayton, Ohio. Tobias's favorite retention quote is this: "If you have someone you want to keep, pay him [or her] more than he's worth, because no one else would be stupid enough to do that."
The bottom line?

Aon's Dr. Stum sees a correlation between how a company relates to its customers and how it relates to its employees. His model for retention? "It's already there, in any company's strategies for winning and keeping customers."

The ideal business is customer-focused. It is in business to please its customers with quality products/services. It offers a pleasant and knowledgeable customer service interface. Its goods or services are priced fairly and reasonably and give value to the customer in the way it had promised. Goods and services are delivered where and when and in the condition that the customer desires. And all communications between the company and the customer are carried out with respect, sensitivity, and a genuine concern for the customer's well-being.

Treating employees in a comparable manner would win and keep a happy and hardworking employee body, Stum said.

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