# Book Excerpt – Rethinking Retention

Imagine you are reading this book in the summer of 2007. Surrounded by a blazing economy, you would find data here regarding the high number of jobs vs. workers across most industries and…

By Dick Finnegan • @Dick_Finnegan

support@c-suiteanalytics.com
http://www.c-suiteanalytics.com

Imagine you are reading this book in the summer of 2007. Surrounded by a blazing economy, you would find data here regarding the high number of jobs vs. workers across most industries and the challenges U.S. companies face to hire and retain good or even serviceable workers.

But the U.S. economy made a hairpin turn near the end of 2007, moving from very healthy to officially in recession in a matter of months. This stark contrast of economies offers a good look at employees' quitting patterns during down economic times.

For most of 2007, the U.S. economy was riding high and few economists were predicting danger ahead. The recession began in December of that year but wasn't officially announced until a full year later. During that 12-month lapse the U.S. became a different country.

By the mid-point of 2008 the economy showed the following changes since year-end 2007:

 The Dow Jones Industrials had dropped more than 14%  Inflation had increased over 4%  Gas prices had shot up an even dollar  The Consumer Confidence Index had fallen 44%  Major layoffs had increased by 22% compared to the same period of the previous year and had put nearly 1 million Americans out of work.

These are the times when executives expect workers to hold onto their jobs.

Toward the fall, our government furthered our worry by passing legislation to bail out banks, mortgage companies, automakers, and an insurance company for a total cost of nearly $1.4 trillion. We were told that our financial system would have collapsed without government support. Then in November, President-elect Obama warned that "we could lose millions of jobs next year."

By the end of 2008, the ubiquitous media was telling American workers what the year had been like for their peers. Compared to 2007, 43% more had been laid off and unemployment had increased to 7.2%, a jump of 26% over the previous year. Surely American workers were pleased to have a job…any job.

But the data tell a different story. The number of voluntary quits did drop during year one of this recession, but only by 11%. This meant that your chance of losing an employee you wanted to keep in 2008 was 89% as strong as it was during the strong economy of 2007.

And while concerns grew deeper as the year went on, the difference in voluntary quits between the fourth quarters of 2008 versus 2007 was just 20%. So there was an 80%-as-strong likelihood of losing a productive worker in the 4th quarter of 2008 versus the same period in the previous year.

More importantly, there is good reason to believe that those who walk away from their jobs during recessions are usually your best performers. Open jobs declined by 18% from 2007 to 2008, while layoffs and the hike in unemployment put many more applicants on the streets. One study estimates there were nearly three times as many applicants for openings during the recession as there were before it. As a result, companies became more selective and applicants found stiff competition for most openings. Those who left you had probably already secured a new job and beaten out the masses to win it.

These are the employees with stronger skills and work ethics, the ones you can least afford to lose. Poor performers, on the other hand, were holding on for their paychecks and knew they must be fired in order to earn unemployment benefits.

Viewed from a higher level, this data tells us we can always lose the employees who keep us in business, in good times and bad.

Senior executives seem to know this. In a study, top execs from the largest 1,000 companies in the U.S. said their greatest staffing concern was retention, and the survey was conducted in September and October of 2008…a high time for media frenzy about the economy, bailouts, and layoffs.

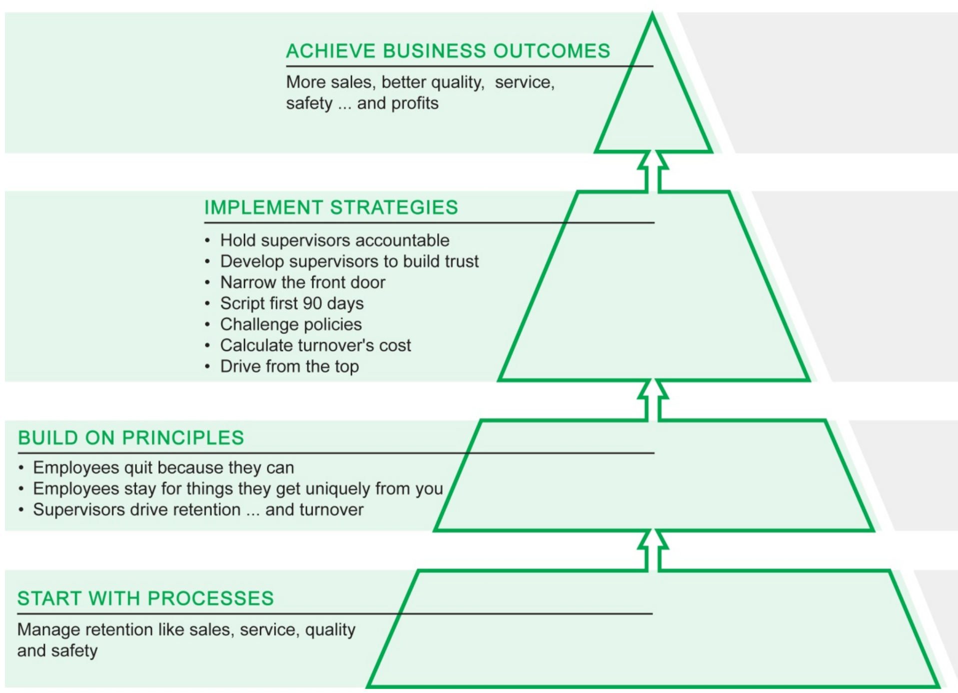
The Price of High TurnoverHow much does employee turnover cost? Studies by PricewaterhouseCoopers' Saratoga Institute indicate turnover costs organizations more than 12% of pretax income, all the way up to 40% for some. Another study puts turnover's price tag across the United States at $25 billion annually—and that's just to train replacements. A third study indicates that turnover reduces U.S. corporate earnings and stock prices by 38% in just four high-turnover industries.

Turnover touches every aspect of organizations because people touch every aspect of our organizations. People answer phones, make sales calls, move products from assembly lines, and make hundreds of decisions every day that impact your customers. No amount of technology will replace the impact of the people you hire, train, and then lose or retain.

So employees are your business. And those who manage businesses both large and small face stiffer competition domestically and abroad. In most industries it's now harder to make a buck, making your effectiveness at retaining good workers even more critical. In fact, retaining good workers is the tipping point between success and failure for many organizations.

Introducing The Rethinking Retention ModelIt's time to rethink retention. We all wish turnover solutions were as simple as tweaking co-pays for employees' health insurance, but unfortunately retention is more vexing and much more complex. Rather than pulling on one rope, it requires pulling many strings.

Here's a graphic representation of an organization-wide model for keeping your best workers longer. Follow this map and employee retention will improve and drive all other key metrics in your favor.



The Principles of the Rethinking Retention ModelThere are three basic principles at the foundation of retention.

Point #1: Employees quit jobs because they can. Workplace demographics leave employees with too many job choices, even in down economies. Avoid the dead-end road of basing retention solutions on exit surveys and other reasons you believe employees leave. Instead, build a proactive solution you can control.

Point #2: Employees stay for things they get uniquely from you. Who are you as an employer? What does your organization offer that others do not? Identify it and build hiring, training, and all other processes on the things that are uniquely you.

Point #3: Supervisors build unique relationships that drive retention...or turnover. Supervisory relationships are unique levers that deeply impact employees' stay/leave decisions. Some employees stay for supervisors, some leave because of them, and some just avoid them.

The Strategies of the Rethinking Retention Model Once you've grasped the principles, the following strategies will help you improve retention, productivity, and all other important metrics.

Point #4: Hold supervisors accountable for achieving retention goals. Supervisors won't achieve any other goal you assign them if they lose their best performers, so make them accountable and give them "skin in the game" for retention.

Point #5: Develop supervisors to build trust with their teams. Communication, recognition, and development all fall behind trust. Who values information and praise if you don't believe it?

Point #6: Narrow the front door to close the back door. New hires must align with who you are—your jobs, values, and standards—and give clear indications they intend to stay.

Point #7: Script employees' first 90 days. First impressions predict how long employees stay, so early activities must be scripted to present your company in ways that are both positive and truthful.

Point #8: Challenge policies to ensure they drive retention. Blow the dust off last decade's thinking and drive your rules toward retention.

Point #9: Calculate turnover's cost to galvanize retention as a business issue. Dollars speak louder than numbers and percents.

Point #10: Drive retention from the top, because executives have the greatest impact on achieving retention goals. Think about how your company manages sales, service, quality, and safety and then build those same methods for retention.

The core ingredient of the Rethinking Retention model is the shared responsibility of operations management and staff support. In most organizations, operations management drives sales, service, quality, and safety, with various staff departments providing tracking, training, and other services. With retention, however, HR tends to manage on its own.

Making people management work requires organizations to run on all cylinders, to involve all who can help. Each company has developed successful, shared-responsibility models for managing sales and other key initiatives, so why not replicate these ways with retention?

Driving retention processes from top to bottom is the key. Savvy organizations manage retention with the appropriate amount of accountability and other operations-driven tactics to be fully effective.

We looked at the types of tops-down processes our clients usually had in place before our engagements with them. While a few of these organizations provided coaching for supervisors who failed to keep good workers, no retention processes for accountability, recognition, consequences, or skill-specific training were in place. And most of the retention coaching was provided by HR instead of the supervisor's manager.

Organizations that manage retention in that way turn to HR to solve it. The result is usually programs such as career classes or benefits like vision care. So ask yourself: Does my company solve retention with processes driven from the top or with programs driven by HR?