

Understanding Available Retention Strategies: Are You Prepared for Turnover Rates to Double? (Part 1 of a 3-Part Series)

Posted By [Dr. John Sullivan](#) On September 28, 2009 @ 6:28 am In News and Features | [21 Comments](#)

Labor Turnover

As the economic turnaround picks up steam, turnover rates in many organizations are likely to skyrocket and recruiting replacement workers of the same caliber will be extremely challenging.

Study after study has confirmed the notion that many employees would have left their employers months/years ago had the option to do so been viable. The economic downturn, combined with the mortgage crisis, has forced many frustrated, disappointed, and unmotivated employees to stay put. The trend is not a new one and is consistent with past downturns.

While turnover rates are at an all-time low, they most certainly cannot be taken as an indication of a firm's status as a desirable place to work.

Just as in years past, when job opportunities become more prevalent, employees will exercise their right to demonstrate just how much they appreciated the treatment they received throughout reductions in force, furloughs, clumsy mergers, travel freezes, and budget cuts. The level of animosity among many will render most traditional [retention](#) ^[1] approaches ineffective.

Some studies indicate that as many as two-thirds of employees are ready to go. Unfortunately, few corporations are preparing today to handle the dramatic increase in voluntary terminations that will come tomorrow.

While few organizations completely decimated their staffing functions, the majority have cut back to the point where capability has been negatively impacted. Strategic programs that deliver retention have been cut, and in most cases, no one is held accountable for retention solutions. It might seem outrageous, but unless you consider the phrase "let's keep them all" to be a retention strategy, it's a fact that most HR and recruiting executives can not even list common retention strategies, let alone devise their own.

Retention Is One of the Most Poorly Managed Goals in HR

It's hard to argue that retaining key employees isn't a high-value activity, and I can't say that I have ever visited an organization that would argue otherwise. In fact, most HR leaders and recruiters talk a lot about the importance of retaining the very best employees that the organization has invested so much time, money, and development resources in. Unfortunately, talk is where most HR organizations end when it comes to formalizing retention efforts.

Among organizations that force-rank satisfaction with HR deliverables, retention often ranks high in importance but extremely low in execution. In fact, it's often lower than compensation and benefits, if you can imagine that!

Its perennial position at the bottom of the list qualifies it as the most poorly managed staffing activity. However, its position at the bottom should come as no surprise, since few organizations can identify who's in charge of it, what is the strategy, and how retention efforts are measured and evaluated.

These three factors are the reason behind most organizations' poor retention performance:

Reason #1 — Who is in charge of retention?

In many organizations the answer to this very basic question is no one! Rarely does the organization's design for the HR function include a role(s) charged with designing, developing, and executing retention programs. When such a role does exist, rarely is it positioned at level with enough resources and power to make a difference (i.e., Senior Director or VP).

When it comes to organizational design, nothing says “low importance” more than lack of budget or executive-level leadership at the helm. Some might argue that all are responsible for retention, but merely listing it as one among many responsibilities essentially guarantees a mediocre enterprise-scale effort.

While great managers may assume ownership of retention activities in their group, because there is no clear support organization, their approaches will largely be ad hoc in nature and inconsistently leveraged, opening the door for anyone disgruntled to scream discrimination!

Reason #2 – The real costs of key employee turnover are not reported.

Retention metrics in most organizations begin and end with overall turnover by period. Absent are metrics that measure the business impact of turnover and specific goals to mitigate predicted impact. If your retention function doesn’t measure and report these five key metrics, chances are your efforts are under-managed:

- **The cost of turnover.** Reporting a percentage turnover rate seldom excites executives, but converting that turnover rate to a dollar impact on business performance can establish the visibility on talent issues needed to transform a *good* recruiting function into a *great* one.
- **Top performer/key employee turnover.** Often called regrettable turnover, this measure prioritizes the jobs and individuals based on the degree to which their leaving hurts the firm.
- **Competitor win/loss ratio.** This metric is simply the ratio of the number of top performers you have successfully recruited away from a competitor compared to the number of top performers who voluntarily terminated to join a competitor. If a top performer quitting goes directly to a competing firm (vs. retiring), it raises the costs because it hurts the firm while aiding a competitor.
- **Preventable turnover.** If turnover is occurring for silly or preventable reasons, the percentage of cases where that is true needs to be reported and fixed.
- **Percentage of “at risk” employees.** The best firms proactively identify high-priority individuals who present a high risk of leaving during the next one or two years. Reporting the percentage of target individuals at risk alerts managers helping them put into place proactive programs attacking retention issues before they get out of hand.

Reason #3 – What is the name of your retention strategy?

The economic impact of losing 10% of the workforce each year in a major corporation amounts to tens of millions of dollars. With that amount of money and disruption involved, retention is clearly a strategic issue. To develop a competitive advantage around a strategic issue requires a strategy that is measurably superior to that of your competitors.

Unfortunately, it’s rare for organizations to develop a formal retention strategy. To make matters worse, most HR executives don’t even know the common retention strategies in use that they could adopt.

Before launching into a comprehensive list of common retention strategies, note that all retention strategies fall into one of three categories and usually contain five common elements.

The Five Common Elements of a Retention Strategy

1. **Goals of the strategy.** This element identifies the goals and specific results the strategy should produce.
2. **Prioritization process.** This element specifies the methodology that will be employed to determine which (if any) employees should receive priority treatment.
3. **Identifying turnover causes.** This element specifies the methodology that will be employed to identify the primary factors that “cause” employees to leave.
4. **Retention solutions.** This element contains a catalog of proven counter measures or solutions that can be employed by managers to halt or reverse a trend of turnover categorized by common cause.
5. **Success measures.** This last element covers the process for selecting retention metrics and reporting the results.

The Three Categories of Common Recruiting Strategies

Retention strategies usually fall into one of three categories, but world-class organizations often employ a hybrid approach that uses different strategies for different groups within the organization

based on their role in achieving wildly important organizational goals. The three common categories include:

- **Laissez-faire approaches.** This group contains decentralized retention strategies that rely almost exclusively on operating managers to solve the retention problem.
- **Comprehensive approaches.** These approaches attempt to retain all employees by improving the treatment, pay, or benefits of all employees. These approaches are also called "peanut butter" strategies because they attempt to spread the improved treatment evenly across all employees.
- **Targeted or personalized approaches.** This category concentrates retention efforts on high-priority individuals and jobs and then customizes the treatment as much as possible in order to fit the individual needs of the targeted employee.

Next week, part two will continue with the top 15 retention strategies in use today.

Note: If you have corporate experience operating a retention function, I welcome your comments on critical factors that can make it more/less effective. In addition, if you have questions that you would like answered on corporate retention strategies, please post them in the article comments section following this article.

Article printed from ERE.net: <http://www.ere.net>

URL to article: <http://www.ere.net/2009/09/28/understanding-available-retention-strategies-and-are-you-prepared-for-turnover-rates-to-double-part-1-of-a-2-part-series/>

URLs in this post:

[1] retention: <http://www.ere.net/tags/retention>

Copyright © 2008 ERE Media. All rights reserved.