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THE PETER BARRON STARK Quest FOR WORKPLACE EXCELLENCE

INSIDE:

Will Your Employees Stay or Stray?

Whether you work in health care, financial services, manufacturing or hospitality—in a small organization or a Fortune 500 company—if your organization is successful, you know that employee retention and talent management are essential to sustaining leadership and growth in the marketplace.

Current workplace studies indicate that the job market is improving and will continue to improve in the next year. Although that is good news for the economy, it could be bad news for you. Why? According to a survey conducted by Sibson and Company, 55 percent of employees are planning to quit or think they will quit when the job market regains strength. A second survey, WorkTrends 2004 conducted by Gantz Wiley Research, found indications that up to 41 percent of your workforce could already be looking to take their experience and a piece of your company culture to another employer—maybe even a direct competitor. A third study, by Accenture, indicates that 63 percent of midlevel managers are readying their resumés, waiting for the job market to strengthen.

Looking into the future, the U.S. Bureau of Labor Statistics projects an estimated shortage of 10 million people in the U.S. workforce by 2010. A recent Society of Human Resource Management (SHRM) survey of 451

Why Do Employees Leave?

When employees were asked why they begin searching for a new job, the following were the top responses:

- **The supervisor or manager does not value the employee's contribution or appear to care about the employee.**
- **The supervisor does not provide performance feedback.**
- **The supervisor treats employees disrespectfully.**
- **The supervisor fails to provide clear direction.**
- **The employee feels there is little potential for career development.**
- **The employee is ready for a more challenging position or a new experience.**
- **The employee seeks better compensation and benefits.**

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human resources (HR) professionals and 300 managerial and executive employees found that over 56 percent expect employee turnover to rise significantly once the job market improves. Finally, according to the latest job recovery survey, when organizations with more than 500 employees were singled out, 71 percent stated that it would be extremely likely or somewhat likely to see an increase in voluntary turnover.

WARNING SIGNS

There are two ways employees leave your organization. Some leave physically, as in moving on to work for a competitor. This is a problem you can manage, since at least you know the employee is no longer on your team. The second type of employee is the one who should strike fear into the heart of every manager: the employee who quits mentally but stays with the organization.

These five warning signs will help you determine if an employee's level of engagement is less than optimum:

1. Evidence of a "Whatever" Attitude. The employee is not confrontational but is clearly not motivated.

2. Minimal Contribution. The employee shows up right on time, leaves right on time and does just enough to keep his or her job—and no more.

3. Absenteeism. The employee regularly uses up all sick time, vacation time or other paid time off. In severe cases, there may be a pattern of Monday or Friday absences.

4. Loss of Enthusiasm. The employee was once a motivated contributor but has suddenly withdrawn and now contributes little.

5. Little or No Interest in the Future. Whether you are discussing the company's vision for the future or your office Christmas party, the employee is clearly interested only in the "here and now."

Conduct "Stay Interviews"

The facts are clear. Employee loyalty to organizations is decreasing. There will be a shortage of qualified employees, and your most talented employees will have the greatest number of new job options when the market strengthens. The Internet will continue to give fleeing employees a full range of employment options.

What are you doing to create a workplace that keeps employees fully engaged so they commit their time, talent and enthusiasm to ensure the success of the organization? Instead of conducting "exit interviews" to determine why you have an exodus, hold "stay interviews" to help figure out what employees like about their current work environment and what they'd like to see changed. What are you personally doing to ensure, not only your own success, but the success of your team and organization?

Training leaders in the areas of communication, team building, performance feedback, recognition and motivation will ensure that you retain engaged, committed employees.

Why Do People Stay?

Are money and benefits important? Sure they are! Employees whose incomes are lagging behind those of people in comparable jobs by more than 5 to 10 percent are more inclined to leave their jobs. But assuming your pay and benefits are competitive, pay may not have as much impact on retention and job satisfaction as many leaders think. The Families and Work Institute (FWI) recently published the National Study of the Changing Workforce. This is the most comprehensive research ever conducted in the area. The FWI found that, while earnings and benefits have only a 2 percent impact on job satisfaction, job quality and workplace support have a combined 70 percent impact. That's good news for employers. By focusing on the environment and organizational culture, you can attract and retain the best employees.

FOCUS ON TRAINING AND DEVELOPMENT

In our consulting practice, we've found that many organizations overlook the area of training in their quest for workplace excellence. The Best-of-the-Best companies in our Employee Opinion Survey value training and developing people in their organizations by over

People join a company for the pay, benefits and opportunity, but leave because of a poor relationship with a supervisor or manager.

20 percent more than other companies in the survey. An American Society for Training and Development (ASTD) study of 540 companies shows that firms making above-average investments in workplace learning and training have 57 percent higher net sales per employee and 37 percent higher gross profits per employee.

THE TOP THREE TRAINING AREAS THAT PROVIDE THE MOST IMPACT:

1 Leadership Training for Your Managers and Supervisors

As the leaders go, so goes the company. Leaders are typically selected for their experience and technical expertise. Some may do a great job of leading their team, and some may experience people challenges. Remember, people join you for a job, but leave you due to a poor relationship with a supervisor. Supporting your organization's leaders by providing leadership training is critical. Training leaders in the areas of communication, team building, performance feedback, recognition and motivation will ensure that you retain engaged, committed employees.

2 Customer Service Training for Your Entire Team

Employee loyalty and customer loyalty go hand in hand. Untrained, uncaring employees don't provide service that consistently meets or exceeds customer expectations, and that reflects poorly on your organization. In today's competitive business world, customers have many choices and will exercise their right to take their business to your competitor.

We once asked a CEO why he did not provide training to his managers and employees. His response was, "You train employees and then they just leave and take the education to a competitor." As we walked out of this CEO's office, the vice president of human resources said, "His training philosophy is to keep all the untrained employees right here."

3 Sexual Harassment Training

In today's litigious society, it is both costly and painful to respond to a sexual harassment lawsuit. Companies intent on retaining great employees work hard to ensure that all employees are aware of both their rights and responsibilities in the workforce. Training proactively to create a harassment-free work environment is a small price to pay when compared to the cost of a lawsuit filed by an employee. Gov. Schwarzenegger recently signed A.B. 1825, which will require employers with 50 or more employees to provide two hours of training on the topic of sexual harassment for all supervisory personnel. The law becomes effective on Jan. 1, 2006. The training must be completed every two years.

Is your organization providing the right training experiences for managers, supervisors and employees? The training opportunities your company offers are critical to your success in recruiting talented team members and retaining them once they've signed on to work with you.

Is Your Training Program on Track?

- **Do you have a training strategy?**
- **Is it linked to your organization's core business objectives?**
- **Do you maintain your plan even during busy periods or difficult economic times?**
- **Do all the people in your organization subscribe to the belief that they still have a lot to learn?**
- **Do leaders in your organization participate in training?**

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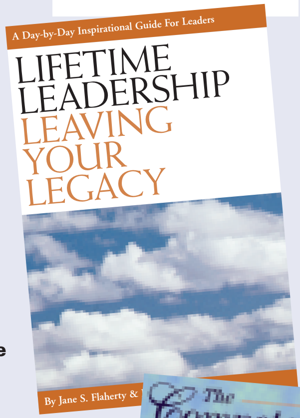

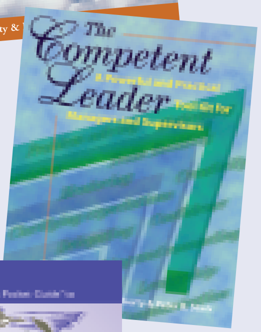

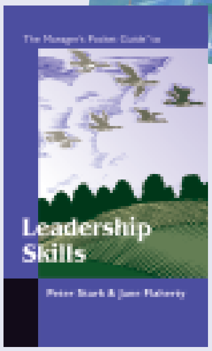

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Your Employees: Love Em' or They'll Leave You

The cost of replacing an employee is staggering. Most HR professionals estimate that replacing lost talent costs between 70 and 200 percent of an employee's annual salary. These costs include recruiting for the position, paying overtime to get the work completed, interviewing, training and the time it takes to get the person up to the performance level required.

Are good employees "worth saving"? Most definitely. The Gallup organization, through its Q12 engagement survey, has shown that employees who have an above-average attitude toward their work will generate 38 percent higher customer satisfaction scores, 22 percent higher productivity and 27 percent higher profits for their companies. It's clear that maintaining a vital, engaged workforce has a significant impact on your bottom line.

So what can you do to reenergize employees who appear to be "on the way out"? Better yet, how can you keep employees from reaching that desperate place?

In our Peter Barron Stark & Associates Employee Opinion Survey, over 70,000 employees have confirmed that the Best-of-the-Best companies (the top 25 percent of the companies surveyed) are at least 15 percent better at providing leadership, offering opportunities for employee development and personal growth, and identifying and quickly solving problems. Over 22 percent are better at clearly communicating the organization's strategic direction and goals. Based on the way companies in the Best-of-the-Best benchmark interact with their employees, we share the following 10 tips:

10 TIPS TO INCREASE EMPLOYEE RETENTION

1 Communicate your company vision, strategic plan, goals and responsibilities to every team member. Communication of this type should be shared with employees on an ongoing basis, not just at the annual "all-hands" meeting.

2 Respect your employees and demonstrate that you care about them as people. It's common knowledge that people join a company for the pay, benefits and opportunity, but leave because of a poor relationship with a supervisor or manager.

3 Involve employees in decisions and future plans, especially those that affect them. Employees don't so much resent organizational change as they resent being changed. Get employees involved early by asking for their input in areas where they have knowledge or will be particularly impacted by the change.

4 Recognize excellent performance and celebrate success—and not just with formal organizational incentives. On a daily basis, look for things that are going well and provide meaningful feedback to those responsible for the success.

5 Measure soft skills with hard numbers. Employee opinion surveys, customer satisfaction surveys and leadership 360s all provide great data you can use to help shape your "employee-centric" culture.

6 Provide growth opportunities through training and education. Even when promotion opportunities are limited, employees still want the opportunity to gain new skills and grow professionally.

7 Select the right people for the job. We once heard that there are very few wrongful terminations but a great number of wrongful hires. Take the time to get it right so you can focus your efforts on your business—not on the business of getting rid of a bad hire.

8 Coach and counsel poor performers. If that does not work, move your poor performers out—and over to a competitor so they can undermine someone else's strategic plan.

9 Take actions that demonstrate you value a balanced work-life philosophy. Most people today are challenged with juggling huge responsibilities, both professionally and personally.

10 Offer a fair, competitive wage-and-benefits package and then link pay to performance. You have to offer a good package to get great performers in the door, and then provide some incentives to keep them with your organization.

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