



## MMC, Inc. White Paper Series #1

### Improving Employee Retention by Developing Talent

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The costs of recruiting and hiring employees, and low retention of valued employees, are major expenses for most organizations. It is possible to identify these general cost categories and to reach the undeniable conclusion that total costs associated with hiring employees to replace workers who leave an organization is substantial. This article examines the problems associated with:

- High employee turnover and viable solutions to correct them.
- An exploration of how organizations may become smarter and more creative in ways of retaining their employees, and as a result become more competitive and more profitable.

#### Problem: Found 'Em But Can't keep 'Em

Some of the symptoms of high turnover (low retention rates) are low employee morale, too much time spent reorganizing existing work, lack of career growth, increasing costs relating to separation processing and new hire training, and ultimately loss of productivity and reduced profits. Methods for identifying the causes of turnover include careful analysis of exit interviews and performance evaluations. Once the digging is completed to discover what is causing turnover, the focus should be on how to effectively retain valued employees.

#### Retention Management

Retention Management may be defined as the process of developing new and current workers through various strategic methods, primarily training and performance management, to retain valued employees.

Much attention by HR professionals has been focused on issues relating to retention management. One reason may be the increased competition for skilled workers caused by the advent of globalization. Another reason may simply be due to the shortage of certain types of skilled workers in many industries.

#### Good Managers-Good Retention

The authors Kaye and Jordan-Evans contend in their book Love 'Em or Lose 'Em: Getting Good People to Stay: "Research across organizations both large and small supports this contention. You've probably heard that employees don't leave companies--they leave managers." The important message that managers must hear is that they play a key role in employee retention. Managers make the biggest difference when it comes to employee retention. How do you make good managers happen? One answer to this question may be the utilization of formalized retention and succession programs. In other



words, organizations that provide support with tools for developing good managers should, in general, naturally experience good employee retention.

### **Tools for Effective Retention Management**

First, a strategic plan for training employees and for providing on-the-job learning experiences is needed. Once the plan has been designed, it may be implemented for a target group of employees. A strategic development plan that offers a broad menu of a variety of management workshops is one of the more effective ways to develop manager talent. Also, other training methods can be effective for preparing managers in skills and knowledge needed in a job, improving job performance, and advancing their careers.

Even organizations with limited resources can take a variety of steps to implement development plans. The following are practical examples for small and medium size firms: employer paid “brown-bag lunch programs”, offering business management courses through local community colleges, and even enlisting managers for input in the design and implementation of their own training programs.

### **Linking Performance Management & Retention**

There is a correlation between effective performance management and improved employee retention. A broad definition of performance management is a comprehensive system that evaluates job performance based on consistently objective and reliable measures, and incorporates an effective “total rewards” program, i.e. compensation, employee benefits, employee recognition, career and succession planning, and training and development.

Retention management is a challenging task for any organization. There is no cure-all or “silver bullet” for low employee retention. Where does an organization start in attempting to meet this challenge, particularly in a smaller organization without an internal HR staff to improve its retention rate?

Linking performance management and retention is a good place to start, and the stronger that link the better employee retention. Coordination of all of the above elements of performance management will strengthen the link. An example of this coordination is involvement of senior management in employee recognition efforts. Such efforts are crucial, particularly in smaller organizations where the leaders are more visible. Forms of employee recognition that require little expense or formality by top management include brief appearances at staff breakfast and lunch meetings, at coffee breaks, and informal visits with employees whenever possible for two-way dialogue.

### **Conclusion - The Payoff**

The purpose of retention management is to keep valued employees by making them smarter, more confident, and more satisfied in performing their jobs. Organizations will experience lower turnover and more profits because of improved competitiveness of their workers. An additional payoff of effective retention management is improved employee relations. Employee retention is improved by



development of talent because employees will perceive their employer as one who is caring, committed and trusted.

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To assist clients, MMC, Inc. has launched a special series of workshops covering key topics for manager development. This series offers a broad menu of a variety of interesting and highly relevant “talent development” workshops in flexible onsite formats e.g. lunch forums, 2-hour on-site programs. They may even be offered to employees as a special employee recognition, or as a means for improvement as part of performance evaluations. Please visit [www.MMChr.com](http://www.MMChr.com) for details.)

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