

HaRe Group newsletter: 6 May 2005

Subject: Keeping your best people

Almost every employer in a competitive industry knows the value of talented people. Keeping the best employees on board is often quoted as a critical business objective.

In recent years, many industries have experienced an unprecedented demand for quality people. Signing up new employees has always been a challenge and the range of recruitment agencies is testament to this challenge. If the recruiting process cannot deliver the best people, business leaders know that holding on to talented employees is a huge priority – most employers recognise the great cost of losing good people.

Setting aside the intangible impact on motivation and morale when a respected employee leaves, the tangible expense can be as high as twice the employee's annual salary. Some studies have reported a real cost of 2.5 times salary.

At a recent AHRI seminar, HR leaders from a range of industries examined the challenge of retaining talented people. In one scenario, a company was being faced with rising competition – for quality employees as well as for the company's products.

Retention case study

The CEO instructed the HR manager to develop a broad retention strategy to help ensure that key people were kept engaged and immune from poaching by the competition. Function managers from all areas of the business were asked for their suggestions on what should be done to retain their best people.

The array of suggestions was analysed, rebuilt and prioritised to form the company's retention strategy. In summary, the priority elements of the strategy were:

1. Enhance performance management processes to identify key talent, to support training & career planning and to steer succession planning;
2. Determine employees' needs & priorities by conducting a "climate" survey – follow up with focus groups to elaborate the survey's outcomes;
3. Establish market pay rates for key positions by conducting a remuneration survey;
4. Develop a reward & recognition strategy to establish competitive pay ranges, performance-based differentiation, the mix of fixed & variable pay, incentive parameters, etc;
5. Enhance communication with top management.

Other important activities included exit interviews & leadership training. Notably low in the priorities were reviewing recruitment methods and developing more HR policies.

This retention strategy should help address two drivers of voluntary termination: (1) the "push" factors, including perceptions of career limitations, lack of trust/ fairness/ support, etc., and (2) the "pull" factors, including more money and better opportunities. Employers will have little control over terminations that are motivated by location, family, or health reasons.

A sound performance & reward strategy will make a significant contribution to every employer's ability to retain good people. Base pay should be perceived as competitive and fair with respect to the employee's experience and performance. Benefits should reflect desired organisation culture. Variable pay should be consistent with the employee's contribution to the business. Long term incentives should provide financial security for the talented people who stay.

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