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The Challenges of Retaining Winning Talent: The Workforce Attrition Crisis

**By B. Lynn Ware, Ph.D.
and Bruce Fern**



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What is the strategic asset of the 21st Century? Talented people.

It is no wonder that in today's aggressive business environment, the challenge of sustaining a competitive advantage preoccupies the minds of many business leaders. Corporate customers and individual consumers have more providers to choose from than ever before. Furthermore, they often perceive that what they are purchasing is, for all practical purposes, a commodity that can be easily obtained from other companies if need be.

How does a organization distinguish itself in a highly commoditized and competitive market? Today's businesses are more dependent than ever before on their top performers to innovate and provide services that differentiate an organization from its fierce competitors. In other words, organizations are reliant upon their *human assets* to survive and thrive.

However, with unemployment now running at less than 6%, many corporations and government agencies are struggling to find and keep these valued team members. Changing work force demographics, such as the shrinking of the most desirable labor pool (25-34 year olds) and the negative impact downsizing has had on team member loyalty, has led corporate America to search for answers to recruiting and retaining the strategic asset of the twenty-first century: talented people.

Retaining talent was less of an issue in the past, but the shifting tides of the unspoken team member/employer contract have created new currents in the workplace. The old contract asked team members to

- Work hard.
- Be loyal.
- Give their all.

In return, they would have:

- A job for life.
- A home away from home.
- Regular salary increases.
- A good chance for a promotion.

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The new contract is substantially different. It states that team members must now work harder, doing not only their jobs, but the jobs of their former co-workers who were “right-sized.” In return, job security is extinct, promotions are scarce, salary increases are modest at best, and the constant uncertainty of change is almost guaranteed. Is it any wonder that team member loyalty is on the demise and talented individual contributors and team leaders feel less bonded to their organizations?

Research

Because the increased flow of defecting team members plagued our clients, Integral Talent Systems, Inc., a national talent management firm, engaged in an aggressive endeavor to tackle the attrition dilemma. As part of this project, we conducted attrition and retention research with our clients¹, and substantiated our findings by reviewing industry practices and the behavioral science literature. We uncovered a number of critical findings, seven of which are described in this article.

1. The Costs of Attrition Can Be Staggering, But Often Unseen

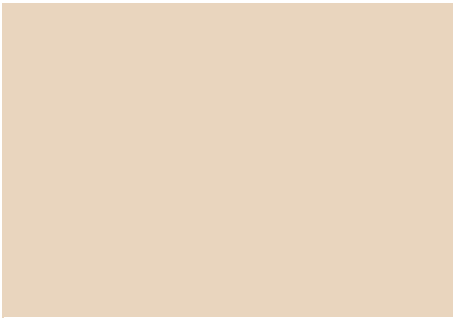
What does it cost an organization when a talented team member defects to the competition? Some of the cost factors are obvious, such as the productivity losses due to a vacant position. However, there are often unseen costs, like the reduced productivity from the departing team member who was inevitably distracted during his/her job search and therefore contributes less during this time period (sometimes called “short-timer’s disease”).

Using conservative calculations, one technical organization in California's Silicon Valley estimates that it cost the organization an average of \$95,000 when just one team member leaves. Other organizations calculate that attrition costs them annual productivity losses of 65-75% in the position the team member departs.

Another of our clients with a national sales force of hundreds estimates that their organization has to scramble to make up for over a million dollars of potentially lost sales when just one salesperson leaves. To add insult to injury, this does not even take into consideration the departed team member’s attempts to woo his/her past customers over to his/her new employer. Multiply these costs by the number of team members who leave in a year and the financial impact is dramatic.

A team member actually considers leaving three to six months before resigning, and productivity declines because the individual is no longer a committed team member.





Organizations need to have a handle on the actual reasons why team members stay as well as the actual reasons why they depart.



2. The Reasons Team Members Stay Are Not The Same As Why They Leave

Most organizations do not have a handle on the actual reasons why team members stay as well as the actual reasons why they depart. Many organizations attempt to capture the causes of attrition through standard exit interviews. Unfortunately, traditional exit interviews just scratch the surface of the causes for attrition. They inevitably fail to differentiate between factors that make the new job attractive to the departing team member versus the reasons why the team member was prompted to consider leaving his/her current job in the first place.

For example, many team members report “better compensation” as one of their main reasons for leaving. In many cases, our research revealed that these same team members were not, in fact, originally dissatisfied with their compensation. Instead, other reasons prompted them to consider leaving their current job, such as the absence of professional development opportunities. However, they often do not report these negative reasons associated with their old job (possibly for fear of retribution), but instead report what is attractive in the new job. Because of this phenomenon, organizational data from typical exit interviews fails to surface the real causes of an organization's attrition problems.

This is just as true when a team member is actively recruited by the competition. Our work in retention shows that attractive candidates receive calls from recruiters all of the time! If this is so, what causes the sudden shift that makes the team member act on a recruiter's call at a particular point in time? We consistently found in these circumstances that something deteriorated in their work situations that caused them to take the current recruiter's call more seriously.

Obviously, when organizations unknowingly misdiagnose the situation and fail to surface the most critical factors that contribute to attrition, their solutions to correct the problem fall short of the mark. The result is a bad diagnosis leading to improper prescriptions.

3. The Team Leader's Role in Attrition Is Paramount But Underplayed

Most team leaders we interviewed as part of our research in retention lamented the loss of talented contributors. However, when asked to diagnose the reasons for a team member's departure, the average team leader pointed to



a variety of external organizational factors as the causes of attrition, failing to take any personal responsibility for the situation. They typically did not acknowledge any factors within their control that contributed to the team member's departure.

For example, team leaders often attributed attrition problems to such factors as compensation. Certain factors that are the responsibility of "the overall corporation" can certainly aggravate attrition if they are not in order, such as inequitable pay scales or excessively rigid policies that dilute team member autonomy. However, we discovered that a large number of factors contributing to team member retention are within the team leader's circle of influence.

Therefore, the results of any attrition intervention are dependent upon the organization's ability to provide team leaders with an awareness of those factors as well as tools to help them meet their personal accountability in retaining talent.

Furthermore, team leaders need this guidance more than ever before. The team leaders' span of control has been widening in most companies over the past several years, and the number of times the team leader "touches" the team member is, therefore, less frequent. Each contact must maximize any opportunity to influence team member motivation and commitment.

4. Prevention Is The Best Medicine

The loss of key team members, even in small numbers, can be devastating to a organization. (This points to the importance of tracking not just overall attrition ratios, but also tracking the level of performers leaving.)

Consequently, we were interested in determining the degree to which team leaders rank retention as a high on-going priority. Not surprisingly, we found that the only time the average team leader thinks about retention is when she or he receives a resignation from a team member. We also found that most team leaders predictably attempt to talk departing team members out of leaving, trying to convince them that they are making a mistake.

However, also predictably, we found that the vast majority of the time, these team members leave their resignations on the table, resisting attempts to persuade them to stay. And, in the infrequent situation when a team leader successfully persuades the team member to remain, he or she often leaves within six to nine months anyway. (The exception is when there is a clear salary inequity which is remedied, and the team member is satisfied with everything else about the work situation.)

Clearly, the solution lies in tying retention to critical business activities so that team leaders do not think about retention after the fact, when it is too late, but rather see it as integral to business success and survival. Treating retention as an on-going priority enables the team leader to focus on proactive measures to sustain long term team member commitment rather than on reactive attempts to reverse surprise resignations.

5. Retention Has An Often Unrecognized Impact on the Customer

Team leaders are well aware of the impact on their function when a valued team member leaves. However, even team leaders of customer contact functions, such as sales or customer service, often fail to demonstrate a sensitivity to the impact attrition has on customers.

When key team members leave customer contact functions, customers often experience

- a discontinuity in the relationship.
 - a negative impact on their own productivity.
 - time wasted reorienting the new team member to their operation and the way they work.
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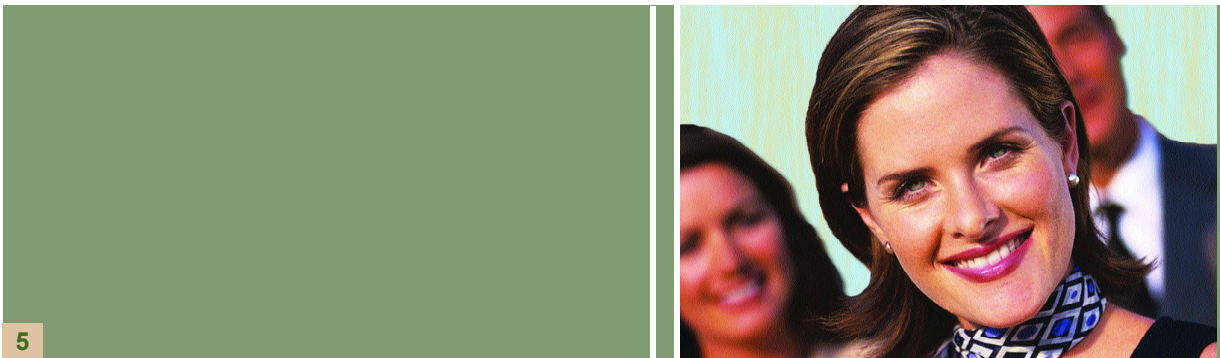
When the relationship represents a value-added partnership, the change in account team leaders or service providers can set the relationship back months and give competitors a weighty advantage.

This is especially true if the transition to new account personnel is not well managed. At a certain point, regular changes in account personnel can send a message of organizational instability and create the impression that the organization does not care about the account relationship.

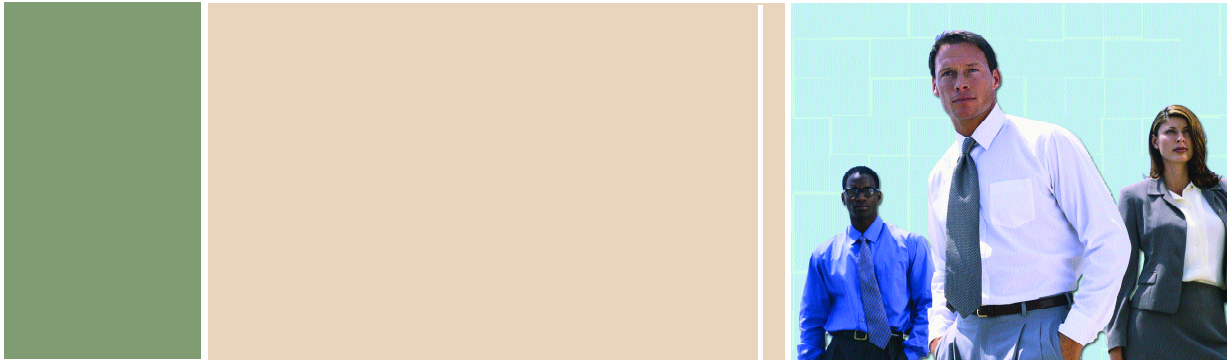
In the case of development or support functions, we also found a general lack of awareness on the team leader's part of the negative impact the departing team member has on internal customers. The departure of a top performing team member can, therefore, have a "ripple effect" on the organization and its clients that creates problems for months.

6. Misguided Thinking - "Attrition is Inevitable"

It is true that some level of attrition is unavoidable. In fact, a certain degree of attrition is desirable in order to compensate for poor hiring decisions. However, human resource and senior line team leaders often question whether they can really increase their retention ratios.



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The answer is definitively “yes”, with evidence to support it. In one of our client organizations, the attrition rate for one of their divisions in 1995, prior to our intervention, was 18.5%, with 25% attrition in one of the most critical occupation groups. After working with us in 1996 and making retention a priority for every team leader, the attrition rate dropped to 11.7% overall and 15% in the critical group.

One might predict that other factors contributed to this outcome. In fact, it should be noted that there were actually reductions in team member compensation during this time, which should have increased attrition. Nevertheless, we still saw an increase in retention rates.

Another of our clients asked that we conduct a retention risk analysis and intervention in a critical technical division because the organization feared that attrition would rise in the near future. Two interesting findings emerged from our research with this group. The first was that this division was already following a number of the retention prescriptions we provide our clients (one of the few divisions in the entire organization to do so). More striking, however, was the fact that as a result of following these prescriptions, this group's retention rates were over 10% higher than the rest of the organization's, thus validating the efficacy of our model.

Another organization in the Northwest began with an attrition rate of 17%. After following the same prescriptions², the organization reduced its attrition rate to 3%, bringing the retention rate up to 97%. As the evidence suggests, attrition is not an unbeatable foe. Instead, it is a challenge that can be overcome with the right strategies and tools.

7. World Class Retention Reflects A Multi-Factored Solution

The scenario in many organizations is the same. Someone, such as a senior line team leader or HR professional who is tied to the business, raises the red flag of attrition, recognizing its potentially devastating impact on the organization's strategic position. Then, someone scrambles to pull some sort of training or tools together which focuses on only a few (but not all) of the factors that are required to reduce attrition. The result is the organization experiences mediocre results, or no results at all.

This multi-factored retention solution is like the story of the blind men and the elephant. Never having seen an elephant, three blind men were brought over to a young elephant to let them experience it. Each man touched a part of the elephant. The first one touched a leg and said, “Now I understand. An elephant is like a tree trunk.” The second man touched the tail and said, “No. You are wrong. An elephant is like a snake.” The third man touched an ear and said, “You are both quite mistaken. An elephant is like the leaf of a big palm tree.”

If any of the men wanted to control the elephant, they would have found themselves incapable of doing so, because their understanding of the elephant was only partial. This is also true of many organizations that try to tackle only one factor of the attrition dilemma.

One piece of anecdotal evidence comes from a report made by one of the nation's leading financial services organizations. In an attempt to stem the outflow of critical team leaders and individual contributors, the organization contracted with a reputable training firm with whom it had worked successfully in the past. While the firm admitted they were not experts in team member retention, they, nevertheless, conducted sessions for senior team leaders, hoping to help their client to deal effectively with the problem.

Unfortunately, but also predictably, the firm addressed only a fragment of the retention solution. The kick back from the team members was strong, since they intuitively sensed this was only a partial solution that would not effectively address their issues. Therefore, one litmus test for a retention solution is to assess its scope and depth. Any solution that is unidimensional is bound to fail.

Retention Strategies

Our research surfaced six dimensions that are most critical to influencing retention. These dimensions must be infused into three major components that must be in place and aligned for an organization to achieve world class retention.

1. Team Leader Retention Practices

Our research consistently validated the reality that the team leader plays a significant role in influencing the team member's commitment level and retention. There are a number of team leader retention practices which will increase the probability that a team member will remain committed to an organization over time.

These retention practices represent the team leader's actual behaviors on the job. This often has little to do with the amount of classroom training they have received. Furthermore, the best retention practices are not the same as the standard menu for good organizational management. Most organizations ask their team leader to place productivity as the highest priority, underscored by the pressures to fulfill "our obligations to our investors."

Good retention practices focus not only on what the team member is contributing to the organization but also focus on how the team leader can create a climate so that the team member is retained and committed on a long-term basis. While enlightened leaders balance the needs of the organization with the needs of the team member, the truth is that these leaders are rare.

Research consistently validated the reality that the team leader plays a significant role in influencing the team member's commitment level and retention.

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Though team leaders play a very crucial role in retention, they do not control all of the factors that can affect attrition. Therefore, the second component represents the organization's responsibility in the retention equation.

2. Organizational Retention Systems

There are a number of organizational systems and processes that influence retention. Some of them are evident, such as the equity of pay scales. Other systems are less obvious, and their impact on retention is often unrecognized. For example, there is evidence that an organization's recruiting systems and processes can significantly impact retention ratios. These systems support the team leader retention practices, but they also increase the likelihood that team members are committed on a long-term basis and are performing at their best.

3. Measurement and Accountability

Closely linked to the other components, this component ensures that retention becomes an on-going priority. Many organizations do not even know what their attrition rates are. And those that do often lack enough data to pinpoint where the problem is most severe or to uncover the specific causes of attrition.

For example, those organizations that measure attrition sometimes do not track it by length of service. The tenure patterns of the departing team members can reveal valuable information concerning the potential causes for attrition. Additionally, many organizations do not track attrition by occupational group other than by "team leader" or "non-team leader." This simple segmentation is often a crude one that does not provide the organization the refined information it needs.

Measurement goes hand in hand with accountability. Organizations must hold their team leaders personally accountable for retention. Likewise, they must hold their corporate staff accountable for developing, maintaining, and upgrading their retention systems. When retention is relegated the status of being a "HR issue," it often falls to the bottom of the priority list for team leaders.

When it becomes one of their business goals, it takes on a new perspective. One example comes from one of the world's top hardware manufacturers. In a recent meeting, the new director of the telephone technical support group presented the following four new business goals to his management team. The first three were

- Fulfill Technical Support Contract Obligations
- Maintain the Highest Level of Customer Satisfaction
- Manage Costs Aggressively

The fourth goal was to retain team members! After some discussion, the entire management team observed that they would not achieve the other goals if they could not achieve their retention goals. In another division of the same organization, the senior team leader's personal bonuses are calculated on the basis of their success at retaining their best people. When team leaders are held accountable in this fashion, it ensures that the motivation to examine and enhance their personal retention practices is ever present.

Conclusion

Interestingly enough, organizational experts predicted that mergers and downsizing would result in team members who felt lucky to have a job and who would, of course, stay. This may be true for team members in the lower tiers of performance. However, top talented team members recognize they represent a valued organizational asset. When their loyalty deteriorates, their tendency to switch organizations increases.

The average costs of replacing today's defecting work force is eating away at the profitability of even the healthiest organizations.

Even when the bottom line remains intact, the loss of just a handful of key team members who have a special expertise or who maintain valued customer relationships can shake an organization to its roots. In this age of high stakes and unpredictable market and organizational changes, organizations must educate their team leaders and create an environment where today's top talent can thrive. The alternative is unacceptable.

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(1) Because of the sensitive nature of any organization's attrition problems, we have not identified our clients or other organizations by name in this document when citing examples of their retention problems or solutions.

(2) This was not one of our clients, but rather a organization we discovered during our retention research.

