incentive marketing association

ima acknowledge appreciate award achieve

Performance Improvement

7 Misconceptions about Employee Retention

A WHITE PAPER PUBLISHED BY THE PERFORMANCE IMPROVEMENT COUNCIL

When it comes to employee engagement, there is a first and obvious principle: you can't engage someone who isn't there. Employee retention is integral to employee engagement. Having a clear understanding of your turnover rate and why employees leave your company is foundational to your engagement strategy, talent acquisition efforts, and long-term planning.

A break-up—on any level—is difficult, which is why it's tempting for organizations to treat each employee departure as either a one-off or a blessing. Instead of looking for root causes and connecting the dots, companies may be tempted to rationalize their employee turnover, by explaining it away with one or more of the following misconceptions:

1. "The cost of turnover isn't that high."

Even if you're not tracking it, employee turnover is costing you real money. There are the direct costs of recruiting, advertising, and training, estimated to be as high as 50-to-60 percent of an employee's annual salary. When you add in the indirect costs—including lost productivity, lost intellectual capital, the breakdown of informal information networks, disruption of customer relationships, etc.—it's estimated that the total cost of turnover is 90-to-200 percent of an employee's annual salary. The formula to focus on is the number of employees replaced annually x average salary x 90-to-200 percent. The resulting sum is one very big number.

2. "We really don't need the people who've left, anyway."

Although it's true that managed turnover can be positive, organizations typically lose a disproportionate percentage of their most talented employees—people with knowledge, skills, relationships, customer confidence, and options. These people are the first to leave, even in an economic downturn. When "A" players leave, companies are left with their "B" and "C" players—employees who are less skilled, less effective, and less engaged—and the company's service levels and financial performance suffer.

3. "We can't compete with other companies' compensation and benefits."

Although compensation and benefits are necessary to attract talent, they are not sufficient to keep employees committed to and engaged in your organization. Compensation and benefits are classically defined as "hygiene" factors or "dissatisfiers" if they are absent, but not motivational factors or drivers of engagement.

Marcus Buckingham and Curt Coffman, the authors of *First, Break All The Rules*, describe it this way: "If you are paying 20 percent below the market average, you may have difficulty attracting people. But bringing your pay and benefits package up to market levels, while a sensible first step, will not take you very far. These kinds of issues are like tickets to the ballpark—they can get you into the game, but they can't help you win."[1]

> *"... it's estimated that the total cost of turnover is 90-to-200 percent of an employee's annual salary."*

4. "Retaining talent will not be a problem since Baby Boomers can't afford to retire."

It's true that many Boomers will need to delay retirement. The Pew Research Center reports, "Among those Baby Boomers ages 50-to-61 who are approaching the end of their working years, six-in-ten say they may have to postpone retirement."[2]

The challenge of retaining your best talent, however, is not a problem that will go away. The demand for qualified workers continues to exceed the supply. Research by SHRM shows that "The issue of skills shortages in the available labor pool appears to be growing…58 percent of HR professionals reported that some workers lack competencies needed to perform their jobs."[3] In September 2014, *Fortune* reported that technology companies such as Facebook, LinkedIn, Airbnb, and Square are already recruiting high school

[1]Buckingham, Marcus and Curt Coffman. *First, Break All The Rules: What the World's Greatest Managers Do Differently*. (New York: Simon & Schuster, 1999), p.29.

[2]Cohn, D'Vera and Paul Taylor, Pew Research: Social & Demographic Trends, Baby Boomers Approach 65 – Glumly, http://www.pewsocialtrends.org/2010/12/20/baby-boomers-approach-65-glumly/, December, 20, 2010.

[3]Critical Skills Needs and Resources for the Changing Workforce, Keeping Skills Competitive, A Study by the Society for Human Resource Management and WSJ.com/Careers, June 2008.

incentive marketing association

ima
- acknowledge
- appreciate
- award
- achieve

Performance Improvement

students for their summer internships, as a way to address the talent deficit.[4]

5. "Our turnover will decrease as our younger workers age and gain new perspective."

Much has been written about how the work ethic of Millennials differs from those of their older counterparts. These issues will not go away with time, as they are rooted in deeply engrained cultural patterns. It is better to accept younger workers as they are and learn how to engage them so they will want to stay for the long term. Companies with high levels of engagement do this by providing a clear sense of mission, showing how their job fits into the overall picture and has meaning, and providing these workers with career opportunities for personal and professional growth.

6. "We know why our people leave, based on employee feedback."

Often, managers form opinions based on abbreviated hallway conversations or from exit interview excerpts. (News flash: most employees share only "happy talk" during exit interviews, since they don't want to burn their bridges.) It's rare to have a meaningful, in-depth conversation about what really happened during an employee's life cycle and what can be done to improve the work life of remaining employees. If exit interview comments are to be believed, one would think that employees would never look for new job opportunities.

7. "Our new recognition program will solve our retention issues."

Because a complex issue requires a complex solution, there is no silver bullet. Improving retention requires companies to examine a variety of factors. With careful assessment and research, it's possible to determine the underlying causes of employee turnover and design effective solutions. While an employee recognition effort is frequently an important component of a retention strategy, positive results will take time to develop.

PERFORMANCE IMPROVEMENT COUNCIL (PIC)
A Strategic Industry Group of IMA

ABOVE TARGET
Juan Manuel Valenzuela, CPIM
Emilio Gustavo Baz 59
Naucalpan
Estado de Mexico 53830, Mexico
Ph: 53 (55) 3685 4053
Juanmanuel.valenzuela@abovetgt.com

ALL STAR INCENTIVE MARKETING
Brian Galonek, CPIM, President
660 Main Street, PO Box 980
Fiskdale, MA 01518
P: 508-347-7672
brian@incentiveusa.com

BUSINESS IMPACT GROUP
Louise Anderson, CPIM, VP Recognition Sales Div
12411 Galpin Court, Suite 120
Chanhassen, MN 55317
P: 612-386-3900
landerson@impactgroup.us

CARLTON GROUP, LTD.
Robert Purdy, President-CEO
275 Renfrew Drive, Suite 200
Markham, Ontario, Canada L3R-0C8
P: 905-477-3971
rpurdy@carlton.ca

DITTMAN INCENTIVE MARKETING
Susan Adams, CPIM, CEP
Director of Engagement
317 George Street, Suite 420
New Brunswick, NJ 08901
P: 732-379-6251
sadams@dittmanincentives.com

MADISON PERFORMANCE GROUP
Mike Ryan
Senior Vice President,
Marketing and Client Strategy
350 Madison Avenue, 15th Floor
New York, NY 10017
P: 201-934-4269
mryan@madisonpg.com

MARITZ, LLC.
Jerry Klein, VP, Management Consultant
1400 South Highway Drive
Fenton, MO 63099
P: 636-827-1402
jerry.klein@maritz.com

MARKETING INNOVATORS
Richard Blabolil, CPIM, President
9701 W. Higgins Road, Suite 400
Rosemont, IL 60018
P: 847-696-1111
rblabolil@marketinginnovators.com

MOTIVACTION
Beau Ballin, VP of Marketing
16355 36th Ave., N Suite 100
Minneapolis, MN 55446
P: 800-326-2226
bballin@motivaction.com

O.C. TANNER
Michelle M. Smith, CPIM, CRP
VP Business Development
1016 Thornwood Street
Glendale, CA 91206-4812
P: 626-796-5544
michelle.smith@octanner.com

PROMOPROS/INCENTPROS, INC.
Sean Roark, CPIM
VP, Incentive Programs
15814 Champion Forest Drive, #313
Spring, TX 77379
P: 281-376-7677

QUINTLOYALTY
Donna Chrobak, IP, VP Loyalty & Incentives
10430 Harris Oaks Blvd., Suite K
Charlotte, NC 28269
P: 704-926-2710
dchrobak@quintloyalty.com

SPEAR ONE
Rudy Garza, IP, Vice President, Operations
102 Decker Court, Suite 150
Irving, TX 75062
P: 972-661-6010
rgarza@spearone.com

USMOTIVATION
Mark Prine, Divisional VP - Major Accounts
7840 Roswell Road, Suite 100
Atlanta, GA 30350
P: 770-290-4700
mark.prine@usmotivation.com

Employee retention is a challenge worth addressing and getting right. In the words of Josh Bersin, "We have to remember that people are what we call an 'appreciating asset.' The longer we stay with an organization the more productive we get - we learn the systems, we learn the products, and we learn how to work together."[5] Your first step in developing an engaged workforce is in cultivating one that stays. ■

The Performance Improvement Council (PIC), a professional organization of performance marketing executives is a special industry group of the Incentive Marketing Association (www.incentivemarketing.org), is collectively focused on helping companies optimize their investment in human capital through proven and innovative reward and recognition solutions. To learn more about the Performance Improvement Council, please visit http://www.thepicnow.org

[4]Lev-Ram, Michal, "Where the Talent Is," *Fortune*, September 22, 2014.

[5]Bersin, Josh, https://www.linkedin.com/pulse/article/20130816200159-131079-employee-retention-now-a-big-issue-why-the-tide-has-turned, August 16, 2013.