

# Retaining Employees: It's More than a Paycheck

By Matthew Schmidt

Hiring dependable and capable employees is only going to get harder. The US labor pool is shrinking, and demand for skilled employees is rising. Every study points to a job market in which there will be more jobs than workers through the entire decade. While estimates vary, most see 5-10% of open positions staying that way – unfilled and holding back companies that do not effectively retain good employees.

Keeping employee turnover low has always been a prudent strategy to build profitability, company morale and control costs. Today it is vital to your success. Hiring and training employees is not cheap. A leading national consultancy has estimated that replacing key positions costs 150% the annual wage paid in the position. Even at a fraction of that estimate, the dollars are significant. This does not account for the loss of valuable customer relationships or frustrations that result.

Keeping good employees is about how you recognize, value and develop the people that make up your company; not just a paycheck. To increase retention, consider the following strategies:

**Provide a meaningful orientation.** Formally welcome employees, set expectations and give purpose. A survey released in January this year found that 50% of employees quit after only two days on the job. Inadequate interviewing and hiring systems are certainly part of the problem, however starting in a new position is especially hard without an orientation. On the first day every employee needs to be introduced to co-workers, told about your policies, and shown how their new position helps fulfill company promises to customers and clients. Without a welcome and purpose, why stay?

**Invest in leadership.** Your managers will have the single greatest impact on employee performance and retention. 90% of employees that leave a company do so because of an unresolved conflict with their direct supervisor. Great managers are leaders who have developed the skills to set clear expectations and standards in the workplace. They motivate by taking interest in each employee and recognizing good work. Giving specific and sincere praise at every achievement motivates.

**Develop employee skills.** This is a priority with companies that hold onto their staff. More than ever before employees are asking what training opportunities are available in a position. A 1998 Gallop Poll found that “Training plays an important role . . . when workers are considering whether to stay with a current employer or move on to greener pasture.” Development can be formal training or an education assistance benefit. It may include establishing a mentoring program within your company. Mentoring programs take many forms, but they always involve a company leader spending time guiding and coaching an employee on their skills and career.

**Give employees bigger responsibilities.** This strategy was outlined in a recent Harvard Management Review article. Employees who are serious about achievement want

opportunities to learn and grow. Expanding the scope of a particular job satisfies this need. When supervisors and managers take an individual interest in employees they often find opportunities to push more decision-making throughout an organization. Focus more on end-results and standards and less on dictating every step of the process as an employee gains greater proficiency.

**Provide timely performance feedback.** Employees want to know how they are doing, even if the feedback describes areas for the employee to improve. Renowned psychologist William James states that the greatest need of every human being is to feel needed and/or appreciated. Feedback tells people that what they do is important. Without it, who cares. An annual performance review is not enough. At that point most people are just wondering what size raise they are about to get. Giving feedback on a job well done simply needs to be specific and sincere to be impactful. Performance improvement feedback is a little harder, but just as important to letting someone know that what they do matters. A good rule is to keep improvement feedback private and focused on behavior, not anything personal.

**Value positions at every level** of the organization and have recognition programs to make people feel that way. Over years of developing training with clients I have often heard “we are a big team here, every employee is important” and then proceed to describe a dozen processes that say just the opposite. Celebrating accomplishments at every level of the organization does send the message that everyone is important. Examples of recognition can be: a “golden phone award” for highest monthly calls; pins that indicate certifications and competencies; hand written thank you notes for filling in for a sick co-worker.

Strategies to increase employee retention do not have to be complicated, and are less expensive than replacement. It requires planning, skills and follow through. Finding employees to replace those that leave is not going to get easier. Exceed what your competitors have to offer, you will have a competitive edge when it comes to retention, service, quality and profitability.

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