

Management Briefing

*Keeping a cut above
the rest*

Employee Retention Strategies

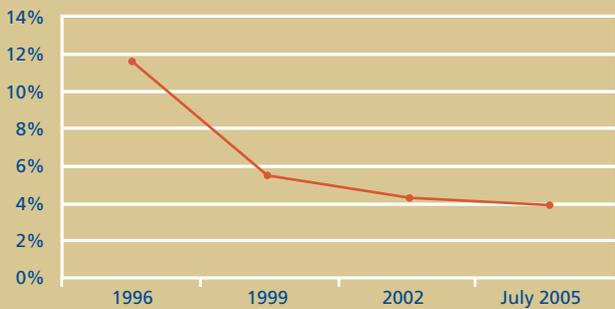
If people are our greatest asset...

Why are traditional recruitment and retention strategies not working?

It has become a well worn cliché used by owners and managers of businesses in all industries - “Our people are our greatest asset!”. Like most well worn phrases there is a significant amount of truth to it. The expert knowledge of your products, the lasting relationships with customers, the desire to go the extra mile and get the job done - these are the things that define success for an organisation, and they all come down to the quality and attitude of people. Only competent, committed people can deliver.

Traditionally, Ireland has had an excess of available, well-educated people to fill most positions - be they at graduate or executive level. However, times have changed.

Figure 1. Ireland - A tightening labour market
Unemployment



Sources: CSO, Banking Job Index, DCU, RESCONit, Failte Ireland and Deloitte

- Irish economy continues operating close to full employment in spite of immigration.
- Recent surveys indicate that it is increasingly difficult to attract and retain talented staff:
 - a. 110,012 recruitment advertisements placed in first six months of 2005.
 - b. Shortage of IT graduates to fill 8000 vacancies.
 - c. 88% of companies surveyed finding it difficult to recruit specialist technologists.
 - d. A further 6,000 new entrants per year needed in Tourism and Hospitality.

Several Irish industry and academic sources confirm that “talent shortages” now rank as a top priority of senior management and solving this shortage is no longer the sole purview of HR. Managers are forced to commit quality time to react to issues caused by staff turnover and shortage. Yet, when executives are asked if they have defined a list of the critical skills needed for their organisation’s future growth, in many cases, silence descends.

“72% of companies surveyed are concerned that the inadequate skills of incoming workers will negatively impact their bottom line.”

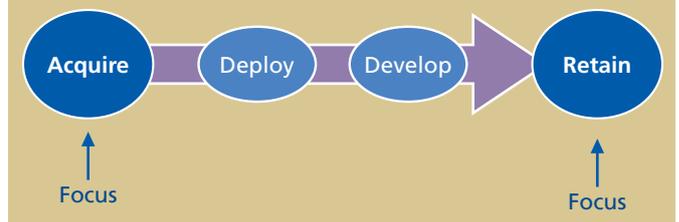
Faced with these talent shortages, most organisations are concentrating on:

- aggressively searching for external candidates to fill their most critical jobs and,
- making large investments to convince current employees to stay.

These organisations offer money, perks and new challenges. However, this is more of a knee-jerk response than a clear strategy. Sometimes it works, more often however, it delays or even fuels, the inevitable churn of good people, who in turn must concentrate on maintaining and developing their own career marketability.

All of this points to a scenario of inadequate medium and long term resource planning, coupled with reactive policies for acquiring and retaining staff.

Figure 2. The Traditional Talent Management Process



The Traditional Approach

The traditional approach to managing talent has been to focus effort almost exclusively on recruitment and some retention activities, as a result of continuously losing key staff, or having high turnover rates.

While these are key aspects of the process, it can be said that placing too much emphasis on recruitment and retention is effectively addressing the symptoms and not the cause.

Excessive staff turnover can also be very costly. An examination of the true cost of employee turnover is presented in Figure 3 across. This differentiates between the costs most likely (highlighted in green) and least likely to be tracked - i.e. those that include visible expenses and those intangibles that might be hidden in lost productivity and performance.

Common retention approaches are problematic in themselves. Often, they are driven by simple metrics such as employee turnover. But while churn at a company may fall from 10 to 5 per cent from one year to another, it may hide the fact that it is the critical employees that are leaving - or as is particularly common that there is a “demographic” concentration of leavers, perhaps based on

Figure 3.	Prior to employee's departure	While position is vacant	Replacement
In accounting's line of vision (out-of-pocket costs)	<ul style="list-style-type: none"> • Exit interviews • Separation processing • Accrued vacation • Continued benefits • Theft / sabotage 	<ul style="list-style-type: none"> • Temporary workers • Co-worker overtime • Advertising • On-Campus recruiting • Job Fairs • Recruiting administration 	<ul style="list-style-type: none"> • Application processing • Interviewing • Testing • Reference check • Relocation • Referral bonus • Agency / search fees • Signing bonus • Salary differential • Uniforms / equipment • Orientation • Training
Cost of Lost Productivity (CLP)	<ul style="list-style-type: none"> • CLP of incumbent • CLP of co-workers • CLP of supervisor • CLP of subordinates 	<ul style="list-style-type: none"> • CLP of vacant position • CLP of co-workers • CLP of supervisor • CLP of subordinates 	<ul style="list-style-type: none"> • CLP during learning curve • CLP of co-workers • CLP of supervisor • CLP of subordinates

entry level staff leaving upon completion of a defined training period. Furthermore, the numbers say nothing about why people leave and in exit interviews, those leaving frequently resist giving the true reasons for their departures for fear of burning bridges. Some turnover is healthy for an organisation, introducing new ideas and creating opportunities for promotion. However, it should be understood that its implications for the business form a part of the HR strategy.

A shift in focus: Aligning Talent Management with Employee Interests

Organisations must concentrate on the big picture at all times focusing on aligning their activity with the interests and priorities of employees and with the needs of their business strategy.

What do employees care most about?

1. Interesting, challenging work

2. Open, two-way communication

3. Opportunities for growth and development

"HR Executive Review: The new Employment Contract" - The Conference Board.

Interestingly, money appeared way down the list.

This will require a significant change of approach for most organisations. Firstly, it means developing a HR strategy, where none may have existed, and also providing HR a voice in the strategy of the business. It also requires organisations to identify those groups and individuals within their organisations that drive business performance and to develop specific plans to develop and retain these staff.

Rather than focusing simply on metrics and outcomes of acquisition and retention, HR should discuss investment in the three things that employees care most about:

- **developing** in ways that stretch their capabilities. Providing the learning environment that employees need to master their roles. This doesn't mean just traditional classroom or online education. It also means "learning by doing / resolution of real life issues" experiences that stretch the employee's capabilities and the lessons they can learn from peers, mentors and others.
- **deploying** them into work that engages their heads and hearts. Working with key individuals to (a) identify their needs, deep-rooted skills, interests, and knowledge, (b) find their best fit in

the organisation, and (c) craft the role and conditions that help them to perform.

- **connecting** to the people who will help them achieve their objectives. Providing critical employees with the tools and guidance they need to (a) build networks that enhance individual and organisational performance, and (b) improve the quality of their interactions with others.

At a practical level this requires the creation of a strategy addressing the following items:

- Resource planning
- Performance management and development systems
- Succession planning
- Reward and recognition schemes
- Work life and workplace schemes - such as employer of choice and flexi-working

These programmes get to the core of people's experience at work, and tackle the root cause issues of retention and poor recruitment.

Going Forward: Taking the First Steps in Building Talent

Step 1: Identify those roles, groups and individuals critical to the organisation's performance

Step 2: Understand the outside market, and where skills are in short supply (and likely to remain so)

Step 3: Factor in your future growth plans - establish a resource plan to accompany your business plan / strategy

Step 4: Based on this analysis, identify where there are gaps that may cause issues.

Step 5: Review other human capital programmes (e.g. performance management, rewards and recognition etc.) in order to ensure an integrated approach.

Step 6: Review the HR systems and reports available. Ensure that the organisation's deployment and integration of systems and tools enable its long-term talent management strategy.

Step 7: Define a talent management strategy and prioritisation roadmap based on achieving the business strategy, succession management, and taking account of the key gaps and issues identified.

Conclusion

When an organisation's talent management process evolves in the manner described in this briefing, organisations will be reluctant to go back to the stop-gap measures of recruiting and retention. Managers may be amazed by how often the talent they need resides right under their noses - or the noses of colleagues in a different part of the organisation.

Rather than fight a futile "war for talent", leaders should "build talent" by looking within their organisations for the critical skills, knowledge and attributes required to execute their company's most important roles. By utilising the Deloitte Develop-Deploy-Connect Approach effectively, leaders can raise their performance - and the performance of their organisation to new levels.

How can we help?

At Deloitte, we have a Human Capital Management Team which is highly experienced at developing HR and Talent Management strategies aligned to business strategies in both public and private sector organisations. Some of the services we provide include:

- Talent management solutions
- Human capital reviews and strategies
- Change management and organisation
- Corporate, team and individual performance management systems
- Reward and retention strategies
- Learning and development
- Executive recruitment and selection

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For more information on our Human Capital Management services, contact:



Mahon Murphy

Partner

Email: mahmurphy@deloitte.ie

Phone: +353 1 417 2529

Deloitte & Touche
Deloitte & Touche House
Earlsfort Terrace
Dublin 2



Gerard Lyons

Partner

Email: glyons@deloitte.ie

Phone: +353 61 418 5501

Deloitte & Touche
Deloitte & Touche House
Charlotte Quay
Limerick



Ger O'Mahoney

Partner

Email: gomahoney@deloitte.ie

Phone: +353 21 490 7030

Deloitte & Touche
No. 6 Lapps Quay
Cork