

A Practical Approach to Attracting and Retaining Top Talent

In a March 2008 article published by *Harvard Business Review*, author Peter Capelli described talent management as “a simple matter of anticipating the need for human capital and then setting out a plan to meet it.” As straightforward as this definition is, the ability of most organizations to manage their talent proactively remains sub par, even when applying the necessary financial resources. Even more startling, the current economic downturn will only make those financial resources more anemic. Unfortunately, the financial difficulties have not curtailed the competition for talent as the market becomes more global, the retirement of the Baby Boomers continues in full swing, and employment mobility increases. Difficult economic times are also precisely when savvy company executives go hunting for deals on great talent. Are you certain that your company is retaining the individuals it needs most? If not, you may be watching helplessly as the top talent that you developed walks out your door and into your competitor’s at the time they are needed most.

The good news is that financial compensation is only one of many weapons to use in combating high turnover. Today’s top talent is focusing more intently than ever before on non-financial rewards. Developing an integrated talent acquisition and retention strategy, considering all the elements of total rewards, will give your business a competitive edge and put you in position to reap the rewards when economic conditions improve.

There are three practical steps to tackle turnover and help effectively attract the right talent, as discussed in more detail below:

1. **Determine Costs:** Understand the full impact of turnover.
2. **Diagnose Causes:** Determine the key drivers behind turnover.
3. **Deploy Targeted Cures:** Create and implement tailored solutions.

Determine Costs

A 2007 Deloitte Touche Tohmatsu and Economist Intelligence Unit study indicates that less than 4 percent of executives believe that

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QUICK LOOK

- ➔ The ability of most organizations to manage their talent proactively remains sub par.
- ➔ Today’s top talent is focusing more intently than ever before on non-financial rewards.
- ➔ Leaders who can make the business case for change rarely lack executive support or resources to solve their company’s turnover challenge.



their organization is “world-class” in people management. Further, the same study observed that more than 75 percent of senior executives see “retaining critical talent” as the most pressing issue. Yet with all of these executives acknowledging the issue, few organizations (33 percent) actually calculate the cost of turnover. The inaction of senior executives on the turnover issue is in part attributable to the perceived difficulty of quantifying the impact of the problem and knowing what the missed opportunity is costing the organization.

To determine the complete cost of turnover in your organization, insights from trends in quantitative data must be developed to answer the following questions:

1. **Who is leaving?** What are the unique characteristics that make

Is Your Company Failing to Meet the Turnover Challenge?

- Are you unclear about the true costs of turnover in your business?
- Does your organization experience higher turnover levels than your competitors?
- Does your company’s leadership lack the desire or “know-how” to tackle turnover?
- Do you address high turnover primarily by filling up the candidate pipeline?
- Is turnover considered to be an “HR problem” at your company?
- Do you know the causes of turnover at your company?
- When employees leave, do they go to work for your direct competitors?
- Do you apply a one-size-fits-all approach to managing your talent portfolio?

up the population that is leaving (performance, demographics, tenure, etc.)?

2. **What is the impact?** What is the direct and indirect financial impact (including opportunity cost)?
3. **Where is it occurring?** Which pockets of the organization experience higher turnover (location, business segment, function manager, etc.)?
4. **When is it occurring?** What differences in turnover can be observed over a time (e.g., seasonal differences and average tenure)?

The cost associated with developing a complete solution to your company’s turnover challenge pales in comparison to the cost of institutional knowledge drain, reduced productivity and morale, and negative customer impact associated with high turnover. Leaders who can make the business case for change rarely lack executive support or resources to solve their company’s turnover challenge.

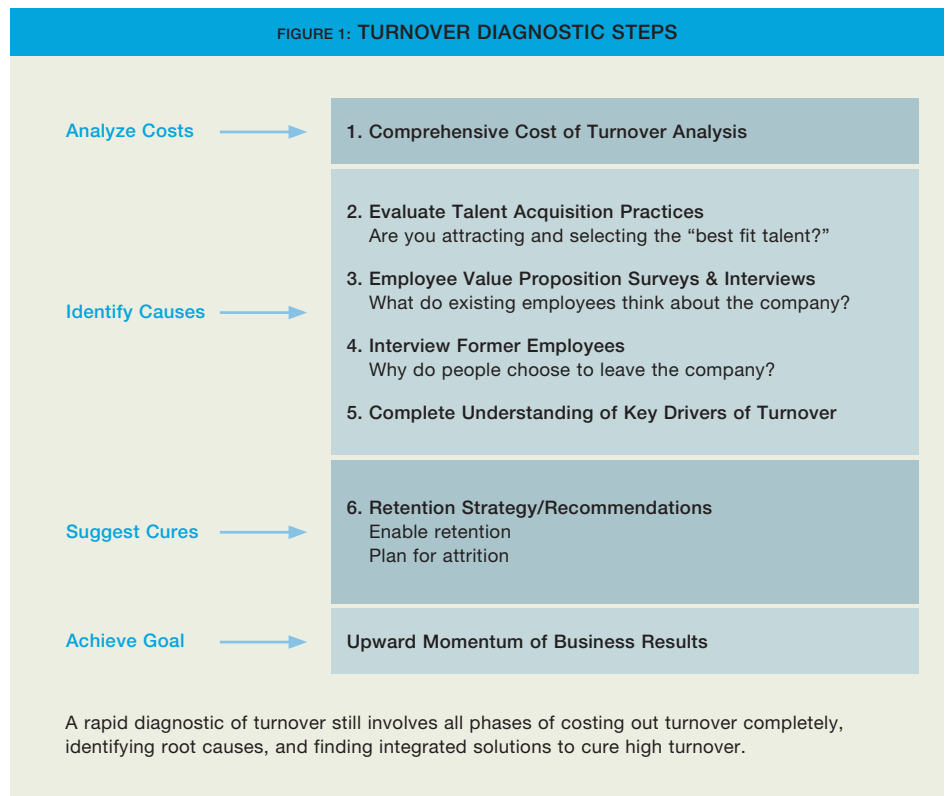
Diagnose Causes

Fully understanding the costs addresses four important questions, but diagnosing the causes answers the critical fifth question, “Why are they leaving?” (See Figure 1.)

Three main areas must be analyzed to assess the total rewards gaps between the importance to employees and effectiveness of the organization in delivering on them. The assessment helps to answer the “why?” behind turnover.

1. **Evaluate talent acquisition practices** to assess the gap between the type of individuals you are hiring and the individuals that need to be hired based on the unique skill sets required to perform the role and fit with organizational values.
2. **Assess employee performance** against the current elements and levels of total rewards being used as compensation to understand what best motivates current employees.
3. **Understand perspectives from former employees.** Exit interviews

FIGURE 1: TURNOVER DIAGNOSTIC STEPS



provide a source of data that is useful to start with in understanding turnover.

Though a good initial source of information, organizations must look beyond exit interview data to determine why their employees are leaving. Rewards, traditionally defined as compensation, have taken on a much broader meaning, and today's talent is placing more importance on the non-financial elements of total rewards. If the needs of employees are changing with generational and demographic shifts, then assessing the needs of your talent portfolio and recruitment pool against these factors will provide insight into the unique factors that are most cherished by employees. WorldatWork recently defined total rewards as the "monetary and non-monetary return provided to employees in exchange for their time, talents, efforts and results." And in a February 2008 *workspan* article, author Juan Pablo Gonzalez states that "these factors together are significant in how employees experience their work." Aligning total rewards with your company's culture and organizational values is critical to retaining key talent.

Of course, retention can be significantly aided by hiring individuals who fit the culture and aspire to the organizational values in the first place. For example, Google's culture places huge emphasis on having an exciting job, an autonomous and creative environment and entrepreneurial spirit. However, for an employee looking for an 8-to-5 job, Google's culture would be a severe mismatch and make retention even more difficult. Understanding the emphasis your talent places on each facet of total rewards and identifying the factors that make your organization unique and attractive will not only allow you to retain more of your *good* employees but also to hire the *best* candidates in the first place.

The analysis should leverage quantitative insights about the shortcomings in the delivery of rewards to employees and about turnover levels by line of business, employee populations and other segmentations. This level of analysis helps you understand the root causes of systemic and localized turnover and to develop integrated solutions that address its key drivers. The goal of the analysis is to determine the following:

- What are the reasons individuals leave the organization and the role?
- Are there any unique identifiers of employees that choose to leave versus stay?
- What qualities and attributes define high performance and are high

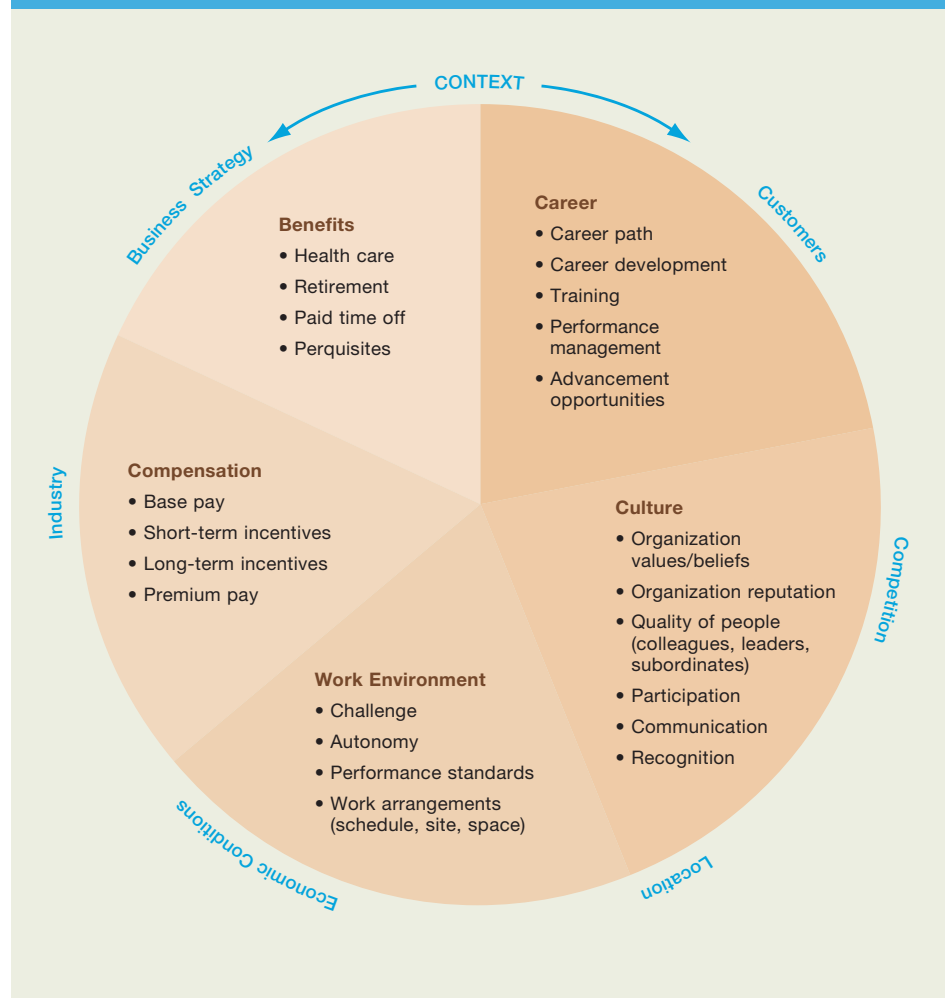
performers receiving the type and level of rewards they most value?

- How does turnover impact business partnerships and internal customer and external customer relationships?
- What are the key predictors of retention, engagement and high performance?

Deploy Targeted Cures

High impact cures are tailored to address specific insights gleaned from the root-cause analysis. (See Figure 2.) Root causes can span many topics such as inadequate onboarding, inappropriate job design, misaligned career development and ineffective rewards systems. In a recent poll by Axiom and the Human Capital Institute,

FIGURE 2: THE TOTAL REWARDS LENS GIVES A COMPLETE PICTURE OF THE ELEMENTS DRIVING RETENTION.



Source: Axiom Consulting Partners

respondents said their primary cause of turnover is hiring individuals with the wrong job skills and abilities. Selecting the wrong people for the job is curable with the right talent assessment process tailored to the skills and abilities required to succeed in the jobs and to organizational values.

However, in other cases the gaps driving turnover are not easily curable, or may take several years or significant financial resources to overcome. Hence, it is important for your organization to focus on the controllable factors that can increase retention and to plan, at least in the short term, for a reasonable level of attrition. When beginning to address your company's turnover challenge, keep in mind that optimal cures incorporate the following concepts:

- **Multiple sources of qualitative and quantitative data are required** to carefully assess the root causes of turnover and its full impact on the business.
- **Not all turnover is created equal.** Therefore, it is imperative to assess the indirect and direct cost the turnover is having on the organization.
- **Quick fixes and silver bullets do not exist.** A carte blanche solution applied across all employee populations or focusing on compensation without data driving that decision will rarely solve the long-term issue. Place emphasis on multiple remedies because there are no silver bullets.
- **A thorough selection process, aligned with organizational values, vastly improves retention** by hiring the best-fit candidates at the front end of the process.

A Case Study

The client, a \$6-billion leading distributor of technology products and services, was preparing to increase its salesforce by 30 percent (1,200 new people). In addition, the company was experiencing 42-percent turnover in their front-line sales role and the majority left within the first six months on the job. Turnover cost was estimated at \$50,000 per account manager and totaled \$30 million.

The Solution

A team of consultants and internal HR professionals assessed the root causes of turnover and determined that the primary reason was not hiring the right individuals for the role. The team revised the sourcing, screening and selection process to ensure that new hires were a better fit, including:

- Assessed the true skills, background and experiences required to be successful on the job.

- Expanded the sourcing pool of candidates based on the results of the analysis.
- Created a selection assessment based on the competencies needed to perform the job.
- Created multiple rounds of realistic job previews to ensure candidates received an adequate understanding of the job.
- Included supervising managers in the selection process and held them accountable for new hire retention.


The Results

The company achieved its aggressive recruiting goals as a result of the streamlined process and turnover was reduced 9 percentage points from 2006 and 17 percentage points from the 2005 level. In addition, the total cost of turnover was cut in half from \$30 million to \$15 million.

Conclusion

To help focus turnover reduction efforts where they will have the most impact, use the following questions as a guide:

- What is the value proposition needed to enable retention and how big of a gap is there with the current offering?
- How realistic, viable and timely are the solutions that would enable retention?
- What are the benefits associated with planning for the loss of talent on an ongoing basis versus fixing the issues that create turnover?

This approach will allow you to proactively plan for the right interventions that will result in the desired outcome — ensuring upward momentum of business results. 

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