Employees: The Only Remaining Competitive Advantage for Business

By David J. Wudyka - Founder/President - Westminster Associates
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With the national unemployment rate hovering around 4.7 percent, just about a 24 year low, gone are the days when companies had the luxury to pick and choose their employees from a large pool of human resources. Welcome to the world of the tight labor market.

A few years ago, when unemployment rates were higher, we conducted a survey of more than 200 CEO's. We found that employers who had active, formal retention programs were significantly less concerned about employee turnover, and had less of it, than those with no formal program. For those companies with no program, turnover was not a major concern at the time. Employees, however, were worried about keeping their jobs and were less likely to leave their employers.

Today, the employment picture is much different.

In our current robust economy, those firms that attract and retain the best people and make the most of their human resources will thrive. Those that don't, will not. That's because the only remaining competitive advantage for businesses to capitalize on is people.

While many companies know they have a turnover problem, most don't know why their employees leave for "greener pastures," or what, if anything, they can do about it. It's imperative, then, for companies experiencing high turnover first to find out the reasons for it through an "employee retention audit." Then they need to do something about it by creating and implementing an employee retention program.

We believe that an active employee retention program is the only answer to high employee turnover or low unemployment. HIgh turnover will directly impact your bottom line through higher recruitment expenses and lower profits.

So what exactly is an "employee retention program"?

First, it's not a generic remedy or an "off-the-shelf" program. Or, like some large consulting firms are suggesting these days, it should not simply focus on the identification and development of competencies in the workplace as the way to improve retention. There are other more important things that need to be done first, such as a retention audit, which focuses on the factors that produce turnover, and at much less cost than competency-based programs.

An employee retention audit features a systematic analysis of the major factors that have the greatest impact upon turnover, like quality of supervision, the work environment and a company's culture, among others. The audit is also based on past research, particularly by Fred Herzberg, a scholar and researcher, who maintained that certain minimal work-related conditions, or "hygiene factors" as he referred to them, must be met to enable employees to be satisfied at work and to enable them to achieve. Otherwise, they will not maximize their performance and they will not stay.

A retention audit investigates these and other factors. To determine the causes of an organization's turnover problem, company records, interviews, employee questionnaires, and facility tours are utilized as the investigative vehicles. Then the findings, along with recommendations, are presented to management for action.

An analysis of this kind is best left to an outsider who can bring an unbiased perspective to the audit that an insider can't.

In a recent application of the audit, a major high technology company in the Northeast, was experiencing 40 percent turnover on their production payroll of 400-500 people-despite a relatively new manufacturing and office facility, consistent growth each year and the general opinion that they were a "good employer."

After we conducted the audit, the reasons for their turnover problems became obvious.

For example, poor quality of supervision, one of the top three reasons for employee turnover, was observed. We found that supervisors were frustrated and stressed. As a result, they sometimes lashed out at their subordinates. Their attitude was that if the employees didn't like the treatment they received, they "could take a hike because there were plenty of others eager to work for the company." Quality of supervision is analyzed through a cultural assessment questionnaire of the organization and through interviews with supervision and employees.

Quality of the work environment is also increasingly important to employees and employee retention today. We see it in the new design of buildings and office spaces. At a minimum, employees want and need certain minimal work-related conditions, like a pleasant, clean and safe place to work. Through the audit, we make a physical assessment of the working environment to identify conditions that are not aesthetic, like excessive noise, contaminants, crowded spaces, and a poorly lit environment.

In our audit of Northeast company, we found hallways and corners that were dark and subdued. Not surprisingly, so were the employees! In this case, the environment definitely influenced behavior. This is a very important factor because a company's physical environment often affects employees' state of mind at work, and consequently, their willingness to remain in an organization.

In addition, a company's culture plays a critical role in employee retention. Culture has been described as the "collective mind of an organization," or it's "shared values." In a more detailed cultural survey, which provides indicators of the company's culture, we assess the ten major "dimensions of culture," including an analysis of the company's communications, diversity issues, reward programs, and others.

For instance, when we audited the high technology company, we noticed that the lobby receptionist was reluctant to acknowledge our presence and register us as visitors. During each visit, we wondered how long the receptionist would make us wait. In this example, the receptionist's behavior symbolized a lack of "esprit de corps," a spiritless attitude which we found throughout the company.

Based on our experience, we know that companies that care about employee retention and do something about it will be better prepared for the future. Yet few companies are doing anything to stem the tide of high employee turnover, especially during good economic times like these when labor, not management, is in the captain's seat. Those that do, however, will have a competitive advantage as workers become scarcer in the next millennium.

David J. Wudyka, SPHR, is the Managing Principal of Westminster Associates, a human resource consulting firm located in Rhode Island.