

THE WEST REPORT

Charting Pathways to Excellence

*A publication for clients and friends of M. H. West & Co., Inc.
Premiere Edition*

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The Revolving Door... Recruiting and Then Losing Talented Employees

Are you a business owner or a trustee, an executive or manager watching talented members of your workforce walk out of the door into the arms of your competitor, start a business, take an early retirement or simply leave without giving any clues to their plans? Do you convince yourself the loss is not important? Do you downplay the loss by relying upon statistics such as "the average employee only works 3.5 years at one company" or "job loyalty is not a popular trend.?" Have you actually opted out of persuading people to stay?

M. H. West & Co., Inc.'s research and project work indicate that every business should be concerned about employee loss. Losing a talented or not so talented employee is costly. On average a company loses about \$1,000,000 with every 10 professional and managerial employees who leave. Assuming your company has a 10 percent profit, that's a reduction of \$100,000 from the bottom line.

The costs of employee separation generally include:

- **termination**
- **hiring and training a replacement**
- **a vacated position**
- **delayed productivity with a new hire**
- **employee transfer of knowledge about your operations, data systems, marketing, policies/procedures and customers to others**

Employee Separation Costs Can Substantially Affect Your Bottom Line

Recognizing the negatives of losing their talented workforce, many companies are identifying new or reinventing old methods for retaining employees. For example, T. J. Rogers, President, CEO and Founder of Cypress Semiconductor Corporation in San Jose, California provides a strong commentary.

If You Want To Grow Your Company... Grow Your People

A study in the October 1998 issue of American Management Review, reported that the key factors that influence employees' decisions to "stay put" or "jump ship" are skill development, coaching from managers and the nature of the work. **M. H. West & Co., Inc.'s** consultation with a large national company, an urban school system and a government owned medical care facility substantiates this finding.

"Companies must develop plans that quickly respond to the threat of losing valued talent." He recommends the following:

- **Act Fast** - cancel everything on your calendar-deal with your employee immediately.
- **Keep the News Secret** - remember you want to protect the employee and yourself from any failed negotiation to keep the employee.
- **Listen Intently** - the answer and/or the solution may be in what the employee says.
- **Call in the Big Guns** - if it takes bringing in the VP's, President and CEO, to keep a talented employee, then Do It!

On the other hand, the goals of restructuring, downsizing and mergers may also reduce the size of your workforce. As a strategic response, many companies are establishing **Employee Alumni Associations**. Former employees can be Cheerleaders, Advocates, and Ambassadors and they can produce new business contacts, and referrals as well as prospective clients. Other companies are approaching retention as a long-term, not short-term strategy. They are also coupling retention with recruitment efforts.

In summary, if you want your talented workforce to stay with you, plant the right retention seeds when you hire them. **Taking the time to hire the right person can yield a favorable Return On Investment!**

M. H. West & Co., Inc. clients with workforce challenges have benefited from the following SOLUTIONS:

Tool Box Tips

- *Determining in advance employees' values, the level of their problem solving skills, their visionary capabilities and passions, their business knowledge and their likes and dislikes*
- *Recognizing and rewarding superior performance with cash and bonuses when employees meet the company's financial goals*
- *Customizing training and education programs*
- *Surveying employees regularly to determine their satisfaction levels*
- *Developing a report card for your company on its employee retention efforts*
- *Soliciting employee views about change before change takes place*
- *Quantifying the \$\$\$ and ¢¢¢ of employee recruiting and retention versus employee separation*