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## A Neglected Secret?

*Improve retention: get better performance at minimal cost*

*By Adrian W. Savage, President of PNA, Inc.*

*Earlier this year, I wrote a paper that seemed to strike a chord throughout the business world. "When Bright People Don't Perform" asked managers and leaders to consider alternatives to the old fashioned view that non-performing subordinates must be lazy, incompetent or lacking in commitment. Instead, I tried to look at the problem from the employee's point of view, citing differences in personal values, reactions to the prevailing organizational culture and mutual miscommunication as major constituents in the problem.*

There is a simple way to produce better performance in just about any organization: a method that is so simple and straightforward that most people ignore it or dismiss it without close investigation. What is it? To keep all your best staff for as long as you can and enable them to contribute more of their current and future abilities. If this sounds simple, that is because it is simple. If it sounds easy, it is not. Applying this sure-fire method of performance enhancement demands tight discipline, great patience, courage and continuous attention. The rewards will make it worth all the effort and more.

### Counting the cost

We start from the assumption that everyone employed by an organization is there through deliberate choice: theirs and the organization's. They were recruited because someone judged they would contribute value. Even if we allow for errors, it is a fair assumption that the majority of these judgments were correct. In the case of the best employees, it is a proven fact.

On a conservative basis, the cost of replacing a productive employee is around 1.5 to 2 times their cost of employment (salary and all benefits). This is based on an estimate of essential recruitment, selection and initial training expenses, plus a loss of productivity

while the role is vacant and again while the new person is finding his or her feet. In positions that are critical to the organization's operations this will be an under-estimate, but it will do for the moment.

Simple arithmetic shows the true cost of an annual loss rate of only 5 percent (losing 5 good performers in a group of 100 people), based on average employment costs of \$100,000 per person, is \$750,000 - \$1,000,000 every year. That is no small sum. If the group is larger, or more highly paid, or loss rates are greater, it will represent an enormous amount of wasted money. For example, in many organizations, loss rates of staff in high-demand categories may be as high as 30 percent. For every 100 people, the **annual** cost of that retention problem, using the same basic figures as before, is **\$4.5 to \$6 million**.

### Building a solution

The first step must be to reduce this constant drain on resources. There is a way to do this while simultaneously increasing the performance of those who stay. If it sounds too good to be true, that is only because the approach is usually neglected as too simple and commonsense. Yet it can help you retain most, perhaps all, your best performers and enhance their productivity and results at the same time.

Step 1 is carefully and systematically to explore the **causes** of low retention. Losing good staff is

a symptom. Doing something about it demands an understanding of the true causes.

People join organizations; yet always leave through very specific situations. They join on the basis of a broad feeling that the organization and the work on offer is attractive; but leave because there are some particular issues that affect them personally. Most recruitment activities speak to the hopes and expectations of potential recruits, focusing on the organization's reputation and status and the attractiveness of the role in overall terms. Once someone has secured a job, the picture shifts. Now they have daily experience of the company, linked to a role that is uniquely important to them. The organization has also acquired some human faces: colleagues, bosses and subordinates.

What are the most common reasons why people decide to leave? In our experience, there are just five:

1. Not being treated with respect.
2. Not having interesting and fulfilling work.
3. Bad experiences with management systems.
4. Bad experiences with direct supervision.
5. Bad pay or working conditions.

### **Getting in our own way**

Few people will stay around if they are treated without the respect they feel is due to them. If they do stay, it will be because they fear, probably correctly, that they could not get work elsewhere of a similar status or level of reward. Just that should show their current company that they are already overpaid or over-promoted.

It is amazing how many intelligent, able people are not just denied fulfilling work but even prevented from doing the job they were recruited to do. Poor systems, poor communication and negative office politics are the most common culprits, along with a poor decision on the structuring of the role itself.

Because many roles are insufficiently defined, it is easy to find several people carrying independent accountability for the same organizational outcome. You would not believe that after so many layoffs organizations still contain a host of overlapping, dysfunctional and redundant roles, but it is true.

We can safely assume that the top executives who run organizations want to be successful and do not knowingly do anything to prevent it. Since the main causes of losing good staff all point to self-defeating activities, there must be reasons for their continuation that seem valid - at least until they are properly examined. In fact, there are two principal reasons for this illogical behavior: ignorance and habit.

The top executives of many organizations are rather ignorant of what is happening in the layers below them. They are not willfully out of touch. They just have so many demands on their time and attention that they cannot see everything. Their priorities are also wrong. They give close attention to financial results - because that determines their remuneration - and little to the systems that produce those results. Put simply, they focus on the ends and ignore the means. As long as the figures seem acceptable, they do not inquire further. That is a sad mistake if it turns out that current results - however good - are well below what would be possible if the organization stopped tripping over its own feet.

Habit is the enemy of all development and growth. In this case, we have centuries of habit to overcome: the habit of assuming that top managers should personally "run" the business and that a mark of good management is always being in control. Command and control approaches are ingrained in our society's thinking. They may have worked for local shopkeepers and mill owners a hundred years ago, but today's organizations are too large and complex for any one person - or even a group of

top executives - to be able to micro-manage in that way.

An even more devastating habit is the tendency to concentrate on people's mistakes and weaknesses. This produces the unspoken assumption that employees are minimally competent and will always mess things up, unless senior staff constantly supervise and direct them. In fact, most employees - **even the best ones** - are working well within their comfort zones. They could not only do far more, they would welcome it, if only the organization's systems did not continually hold them back.

**The result of this sorry catalogue of unexamined habits is that organizations are wasting significant amounts of money chasing after the means to get employees to be more productive, when the most important blockages to performance and productivity come from the actions of the organization itself.**

### Correcting the problem

Five steps are needed to correct the problem. All are easily within an organization's ability to complete:

1. Recognize that the problems of retention and limited performance are symptoms.
2. Find the causes and address them objectively. The symptoms will go away on their own.
3. Apply specific antidotes to each cause.
4. To ensure that the cures continue to be applied, embed them in the organization's operating systems.
5. Reward compliance and discourage anything else.

Item 1 is essential to put the game in play. If we continue to focus on dealing with symptoms, nothing essential will change.

In Item 2, we need to recognize that causes may be complex and multiple. People want more money, but money is rarely their primary motivation. Most people are conscientious and loyal, but loyalty will not cause them to overlook the many casual slights and indignities they may be subjected to on a daily basis. Bad supervisors will rarely draw attention to themselves. It is easier for them to push the blame for problems onto their subordinates. Unless they are themselves monitored for their ability to develop those who report to them, such issues may never reach top executives. The short-term obsession with results covers a multitude of sins. So does a search for a panacea that takes neither time nor effort nor discipline to apply. The KISS principle ("Keep It Simple, Stupid") is one of those unexamined and habitual management sayings that does more harm than good. Keeping it simple does indeed often lead to stupid decisions.

### Antidotes

The antidotes to the causes of poor retention, high costs and low productivity are clear. Treating employees with respect and allowing them to develop and grow should be so much a part of a civilized society that it should not merit mention. In fact, it is the exception, not the rule.

Putting people into a state of fear is deeply disrespectful. Threats of lay-offs and the cancellation of development and training programs passes the obvious message that people are less important to the business than the preservation of external appearances. Good people are always the first to leave when this happens, since they find it easiest to get alternative employment. Our research shows they also tend to place the highest values on opportunities for learning and growth.

Ego-driven management is another mark of deep contempt for everyone else. When top executives feather their own nests at others'

expense; when leaders act more like squabbling robber barons than stewards of the organization's future; and when they preserve their own positions while others are losing theirs, they have forfeited any legitimate claim to the status they hold. What senior people do, others will swiftly copy. In an ego-driven culture, everyone ends up trying to grab what they can and hold on to it, regardless of the effect on the business. Look at Enron.

If we assume that people have more to give that they do - and probably more than they know - we will be drawn to giving them the opportunities and scope they need to bring out the best in them. That in turn will quickly show where broken or outdated systems, poor management practices and clumsy supervision are holding them back. Many poor supervisors get that way because of the systems they have had instilled into them over the years. We know that people who draw others into abusive and destructive relationships have usually been victims of similar relationships in the past. Bad seeds produce bad plants, which produce more bad seeds. Courage and persistence is needed to break this cycle.

Once we can see where the blockages lie, action to remove them is natural. Executives want to manage successful companies. They want to get results. Show them something blocking their desires and they will spring into action to remove it. All it takes is attention and the discipline to stick with it until the job is done.

### **Rules for growing a business**

Producing a beautiful and productive garden is not the work of a few days. It demands patience and determination, plus the discipline to follow correct practices until they bring the desired result. Yet gardening is based on only a few, simple rules consistently applied: prepare the soil, plant good seed, do things in season and keep weeds and pests under control.

Despite the claims of advertisers, instant gardening is a contradiction in terms.

It is the same for the task of cultivating better performance. Simple rules, consistently applied, produce miraculous results: treat people with respect, assume they can always do better given proper encouragement and opportunity, hold on to good people as long as you can, and find whatever is limiting their performance and try to remove it. Do this over several years and you will transform business performance and probably surprise yourself with the size of the reward.

### **About the Author**

Adrian Savage is an international authority on organizational development and potential. More than a decade ago Mr. Savage co-founded the forerunner of PNA, Inc. to help clarify the way people view employee and organization potential. Mr. Savage believes that employees can align themselves more successfully with their commitments and opportunities by exploring their unused talents and fundamental values. PNA, Incorporated provides corporations with solutions for talent management, organizational development, succession planning and key staff retention. Using proprietary approaches that have been developed and proven over more than 15 years, the company helps clients worldwide maximize individual, team and organizational strengths to achieve their business goals. PNA is part of the global RSM International network. Visit [www.nettps.com](http://www.nettps.com) for more information or call 908-541-1700.

### **About Work In Progress Coaching**

Founded by Camille Smith, Work In Progress Coaching specializes in increasing the performance and productivity of executives, managers and teams. Her approach enables people to achieve organizational goals while maximizing personal and corporate resources. "When people access their potential and produce results that they thought were impossible, two powerful things happen: the bottom line benefits *and* people's view of what they can accomplish together is expanded. This gives the individual and the organization more options for the future." As an associate of PNA, Inc., Camille is a certified NetTPS™ Solutions Provider.