The Retention Dilemma

Why Productive Workers Leave—Seven Suggestions for Keeping Them

Yes, money matters, but it is not really about money.

If you do not know why people are leaving, you cannot possibly stop the bleeding.

What people want most: To feel their careers are moving forward.

HayGroup®

WORKING PAPER

The Retention Dilemma

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This working paper is the product of research conducted by Hay Insight. The work was led by Dawn Sherman, William Alper and Alan Wolfson.

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Why Productive Workers Leave

Imagine the scene. A highly productive worker stops by your office and asks to have a word with you. His demeanor is uncharacteristically sheepish, tentative. When he closes the door behind him, you know instantly what is coming. A valued employee is about to resign.

Dismayed, you ask why. Was it some recent management decision? A problem with a coworker? Money? The employee diplomatically replies that the new job is an opportunity he could not turn down, but reveals little about his true motives. You can hardly blame him. He is leaving the company and has nothing to gain by telling you the truth.

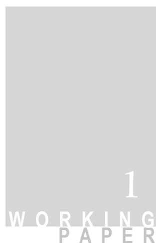
Dismay turns to disbelief. Not only was the individual a high performer, his gregarious personality energized his teammates. His departure will affect their performance and hurt morale. What's more, it reflects poorly on you. How could this have happened? There were no signs he was preparing to leave.

Or were there?

One-third of the workforce—gone in two years

Attrition, particularly in these tough economic times, can drain the lifeblood of an organization. When a company is squeezed financially and struggling to cope with market changes, the last thing it needs is to see key people walk out the door. But our research shows that people will leave if companies allow them to. Recent Hay studies[1] reveal that about one-third of the millions of employees surveyed worldwide plan to resign within two years. That's right, one out of every three employees working for a typical company will be gone in two years. These new figures are about double what most of us have become accustomed to in the past two decades. Have you included this cost in your company's strategic plan? Does your recruitment plan take this brain drain into account?

In the last five years, employee attrition has surged by more than 25 percent[2], and most senior managers will confirm that the scene described above is becoming all too familiar. At some companies, loss of top performers puts intolerable strain on workflow management and leads to spiraling costs.
In this paper, we will explore what motivates people to leave their jobs, and suggest seven measures companies can take to hold on to their key people.



[1&2] Source: Hay Insight normative database of employee opinions.

Lost people, lost profits

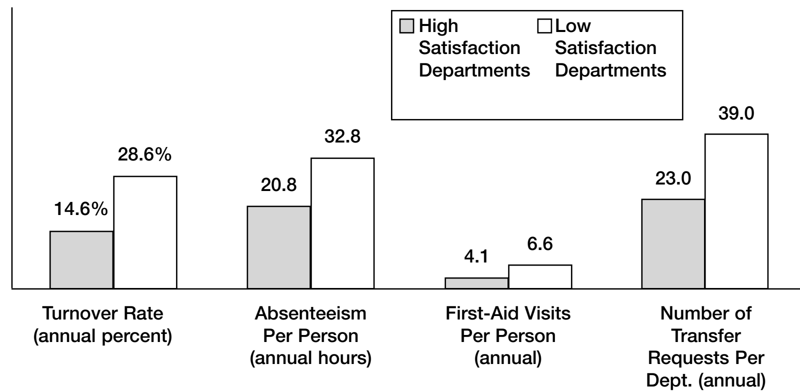
Consider for a moment the fiscal devastation caused by excessive attrition. As a rule, each manager or professional who resigns costs the company the equivalent of 18 months' salary. Hourly workers cost about a half-year's salary. This cost includes money spent on direct replacement expenses such as advertising, headhunter fees and employee development. It does not include, however, indirect opportunity costs such as lost sales, lower productivity and customer defections. These latter costs, harder to quantify, may be even more damaging to companies than the direct costs of attrition.

Attrition can cost a company as much as four percent of revenue and up to 40 percent of profits.

Imagine a company with 5,000 employees who earn an average annual salary of $35,000. Attrition rates of 14 percent for clerical workers, 12.5 percent for professionals and 5.5 percent among managers could collectively cost more than $20 million annually. Our research shows these rates are far from exceptional. For companies with annual revenues of $500 million, this loss would equal four percent of total revenues. That's 40 percent of profits, assuming this same company earned 10 percent on revenues.

The hidden costs of employee dissatisfaction: Over 50 percent more absenteeism, first-aid visits and transfer requests.

Figure 1: Impact of Low Satisfaction on "Withdrawal" Behavior
(Based on a survey from a large manufacturing company)



The costs of attrition are proportionately comparable for smaller and larger organizations. A company with 1,000 employees would incur annual attrition costs of $4.2 million; a company with 20,000 employees would lose $83.6 million.

Why it is actually worse than you think

These figures, though staggering, do not tell the whole story.

When people indicate the intention to leave, they generally do.

The conditions that cause high attrition lead to other, hidden, costs. For every disgruntled worker who leaves, there are others who stay. They may not be able to relocate, or they may feel the pinch of golden handcuffs from accumulated retirement benefits. These are cases of "mental attrition," the walking wounded of the workforce. In companies with high turnover you can assume higher-than-normal levels of such dissatisfied employees, whose attitudes and behaviors affect the bottom line. Figure 1 shows that "low satisfaction" departments had 58 percent more absenteeism than "high satisfaction" departments (32.8 hours per year vs. 20.8, respectively). Rates for first-aid visits and transfer requests showed even wider gaps.

Why are *your* people leaving?

Because attrition costs are so high, companies are taking serious measures to reduce them. Unfortunately many managers, lacking real insights or analysis into the problem, are forced to formulate counter strategies based on anecdotal and "gut" assumptions. We believe that is a mistake. Companies need objective, quantitative data that empower them to *manage by fact.* Solutions for stopping rampant attrition begin with a thorough understanding of the problem. And the best way to gain such an understanding is through a carefully crafted employee survey. Surveys can predict if, when and, most importantly, why certain employees—such as sales reps, engineers, programmers, etc.—may be thinking about leaving your company. With an accurate diagnosis in hand, you can prescribe remedies that reduce attrition—achieving potentially dramatic cost reductions and increasing your company's competitiveness in the marketplace.

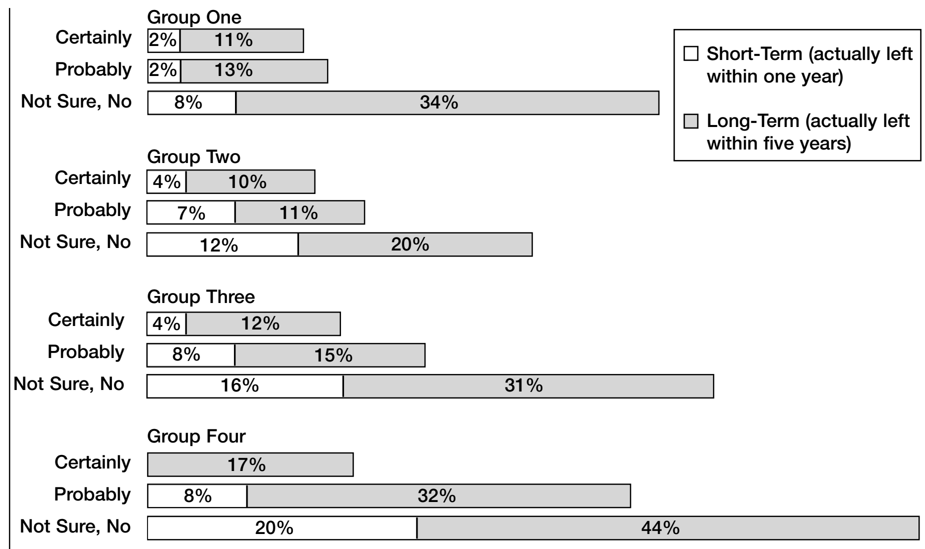
Fortunately, it is relatively easy to get the facts. All companies need to do is ask. Employees are refreshingly forthcoming when surveyed in the right way. Figure 2, which shows the results from four separate studies in which employees were asked if they intended to stay with their companies, shows that when people indicate the intention to leave, they generally do. For example, in Group 1, of those who answered "not sure" (if I'm going to stay) or "no" (I'm definitely not going to stay), eight percent left within one year and another

34 percent left within five years. By the same token, people who say they will stay tend to stick around. Of those in Group 1 who answered they would "certainly" stay, only two percent left after one year and 11 percent within five years. This is good news because it means that *attrition can be predicted. Companies can foresee and address talent loss within specific groups before it happens.* There is a "window of opportunity" to change the environment and thereby change the perceptions that cause employees to leave.

But why do we have such high attrition rates today? Why do workers leave?

Employee turnover can be predicted: In Group 4, for example, 64 percent of those who answered "Not sure" or "No," actually left within five years.

Figure 2: Do you plan to stay with your company?
(% Voluntary Separations)



A little history

Workers were not always so eager to switch jobs. Today's corporate culture of short tenure results from "slash-and-burn" business practices carried out over the past two decades. Beginning in the late 1980s, when companies began downsizing to reduce expenses, employees got the message that "everyone is dispensable." Doing a good job offered no guarantees. The ax could fall anywhere, anytime. And if an area were cleared a little too aggressively, no worry. Replacement workers could easily be found because labor was plentiful.

Clearly, companies today must rewrite the basic covenant with their employees.

Because retaining employees was not a priority, companies trimmed outlays for benefits, training and employee development. By the 1990s, they put responsibility for career growth and development squarely on employees. The message became: "We'll give you the tools to help you grow and advance, but you're in charge of your own career."

Through all of this, the basic covenant between employers and employees was rewritten. Companies no longer offered the security of life-long employment in exchange for employee loyalty and sacrifice. In its place was the notion that while continued employment was a goal, it was far from a given. As a result, employees recognized that "making their own way" often meant moving to another company.

Today, this shift in policy has reaped its consequences. The sea of new faces at all-employee meetings continually shocks corporate leaders. HR managers view staffing as similar to the job of painting the Golden Gate Bridge: It is never done. Just when they think all their positions are filled and everyone in them fully trained, they must begin again. Employees who stay suspect secretly that everyone else knows something they do not. And customers shake their heads, unhappy at losing another familiar contact.

Clearly, companies have to rewrite the basic covenant with their employees. The new message must be: "We will give you the tools to help you grow and advance *because we care about your career growth."* It is not enough merely to say, "We care," although it never hurts to do so. Companies must back up that message with initiatives that make employees feel their current job is the best path to achieving their career goals.

Before discussing how to do this, let us first examine the results of some research into why employees leave their jobs.

Research results—why people quit

While every organization is unique and should conduct its own survey of employee opinions and intentions, companies can also benefit from results at other firms. Our global databases serve as a starting point and a benchmark for individual companies wishing to conduct their own surveys. Findings concerning the global workforce—our studies drew on responses of about

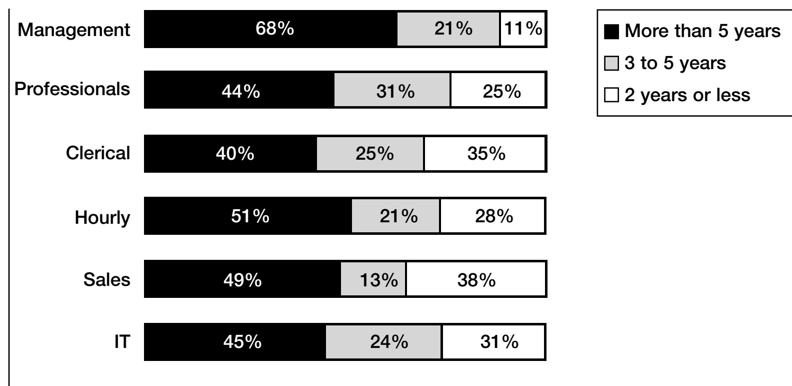
one million employees at more than 330 companies in 50 countries—may be helpful to managers who are tired of workers entering their offices bearing that tell-tale expression.

Discontent by the numbers

To understand attrition and its causes, we analyzed the responses of employees in six categories: management, professionals, clerical, hourly, sales and information technology (IT). Workers were asked a series of questions concerning their level of commitment to the company. As indicated in Figure 3, the least committed to a company are its sales people, 38 percent of whom planned to leave within two years, followed by clerical workers, IT workers, hourly employees and professionals. Managers were the most committed; only 11 percent said they would leave within two years.

Which job functions are most difficult to retain? Salespeople top the list: 38 percent say they intend to leave within two years. Managers are least likely to leave.

Figure 3: How long do you intend to remain with the company?



The same employees were asked about their level of satisfaction with more than 40 aspects of their jobs and organizations including advancement opportunities, benefits, communications, decision making, quality, job autonomy, pay, recognition, supervisors, teamwork, training, top management, respectful treatment and workload.

Responses revealed significant differences between those who planned to stay and those who expected to leave within two years. Issues that had the widest disparities between the two types of employees—called "satisfaction gaps"—suggest the greatest causes of attrition. Figure 4 presents aggregated data across all job categories.

The greatest "satisfaction gap" (34 percent) was between workers who felt they had an adequate opportunity to use their skills and abilities, and those who did not. Of those who intended to stay, 83 percent were satisfied that their skills and abilities were adequately tapped by their organizations. Among those who planned to leave, only 49 percent felt that way.

Gaps between committed vs. exiting workers reveal why people leave: Their skills are not being tapped and they question the company's management and direction.

Figure 4: The Relationship Between Job Satisfaction and Attrition

	Total Percent Satisfied		
Satisfaction with:	Employees planning to stay for more than two years (%)	Employees planning to leave in less than two years (%)	GAP (%)
Use of my skills and abilities	83%	49%	34%
Ability of top management	74%	41%	33%
Company has clear sense of direction	57%	27%	30%
Advancement opportunities	50%	22%	28%
Opportunity to learn new skills	66%	38%	28%
Coaching and counseling from one's own supervisor	54%	26%	28%
Pay	51%	25%	26%
Training	54%	36%	18%

The second widest gap concerned the ability of top management (33 percent). Next came employees' opinions of whether their companies had a clear sense of direction, followed by the abundance of opportunities for advancement, the chance to learn new skills and the availability of coaching and counseling from supervisors.

Pay, usually considered the most emotional factor in the employer/employee relationship, is ranked seventh of the eight factors listed in Figure 4. This will not surprise experienced managers, who know that although employees talk about money incessantly, it is not a deep motivator for most. Ultimately, people want to find meaning in their work. As our survey points out, that meaning is generally derived from non-economic factors such as the desire to deploy one's skills in a challenging effort—to be useful and helpful—and to play on a team led by capable managers who have a clear sense of direction.

Key retention issues by job category

No single retention strategy is likely to work company-wide. Our survey revealed that, although dissatisfaction with career-development opportunities and leadership were the most likely reasons all workers contemplate leaving their jobs, different types of employees revealed different concerns. For example, it is clear that retaining salespeople would require different strategies from those required to retain hourly workers or professionals. Here are some of the key differences between each employee group, as indicated by the eight widest satisfaction gaps for each:

Workers in various job categories are committed (or not) for very different reasons. The higher the "gap" between committed and exiting employees, the more likely a given factor contributes to decisions to leave or stay.

Figure 5: Satisfaction Gap Between "Committed" vs. "Leaving Soon"
(by Job Level*)

Management	Professionals	Clerical	Hourly	Sales	IT
Opportunity for advancement Gap=35	Coaching and counseling from one's superior Gap=38	Type of work Gap=37	Supervisor treats you with respect Gap=34	Recognition Gap=36	Opportunity for advancement Gap=36
Ability of top management Gap=34	Company has clear sense of direction Gap=37	Use of skills and abilities Gap=37	Ability of top management Gap=32	Opportunity for advancement Gap=33	Ability of top management Gap=36
Use of skills and abilities Gap=31	Chance to do interesting and challenging work Gap=36	Opportunity to learn new skills Gap=32	Chance to do interesting and challenging work Gap=31	Chance to do interesting and challenging work Gap=32	Recognition Gap=35
Work-family balance Gap=31	Ability of top management Gap=33	Company has clear sense of direction Gap=30	Type of work Gap=27	Company has clear sense of direction Gap=30	Use of your skills and abilities Gap=33
Company has clear sense of direction Gap=30	Use of skills and abilities Gap=31	Recognition Gap=29	People you work with Gap=26	Pay Gap=29	Pay Gap=32
Chance to learn new skills Gap=29	Work flow well organized Gap=29	Respectful treatment Gap=28	Availability of equipment to do your job Gap=24	Respectful treatment Gap=29	Coaching and counseling from one's boss Gap=30
Respectful treatment Gap=28	Pay Gap=27	Opportunity for advancement Gap=25	Opportunity to learn new skills Gap=21	Physical working conditions Gap=29	Company has clear sense of direction Gap=30
Pay Gap=27	Type of work Gap=26	Physical working conditions Gap=24	Pay Gap=20	Job security Gap=27	Your ideas adopted and put into use Gap=29

*Based on largest differences in percent satisfied between "committed employees" and "employees planning to leave"

Figure 5 reminds us that management is situational and can never be formulaic. It shows that people in different jobs are committed (or not) for very different reasons. For example, for hourly workers the widest "satisfaction gaps" were

respect from supervisors (34) and the ability of top management (32). High-level managers require the stimulation of new opportunities and demand high performance from their superiors. While sales people crave recognition, professionals (engineers, scientists, etc.)—perhaps because their education confirms their self-worth—see it as a lower priority. But they will leave if they do not have a nurturing relationship with a boss who coaches and counsels.

Ultimately, people want to find meaning in their work. That meaning is derived from the desire to deploy one's skills in a challenging effort—to be useful and helpful.

In sum, the aggregate numbers in Figure 4 provide direction for company-wide efforts to reduce attrition. The category-specific results in Figure 5 provide more detail for individual managers seeking a targeted approach to reducing attrition in their departments.

Seven Things Companies Can Do To Reduce Attrition

So what can companies do to hold on to their greatest resource—their employees? The first imperative is to "know thyself." Conduct extensive research and find out what and where the problems are in your company. Determine where the biggest payoff areas are and intervene decisively in that critical window of opportunity, which comes after employees have shared their dissatisfaction but before the moment they decide to act upon it. Here are some measures to consider:

1. Show them you care

Managers of successful companies are acutely aware that even the most brilliant business model will not work without skilled individuals motivated by a culture of management concern. Our studies revealed just how such a culture can improve retention. In one company we surveyed, among those employees who generally liked their jobs 70 percent planned to stay at least five years. If they also believed that managers took an interest in their careers, this number increased to 78 percent.

Unfortunately, few employees feel their bosses are eager to help advance their careers. Our surveys show that among professional, clerical and hourly workers, only 30 to 35 percent felt their supervisors adequately counseled them on

career development. For managers only 43 percent thought their bosses helped them further their careers. This means that between 60 and 70 percent of a typical workforce is hearing the company tell them, "You are in charge of your own career. We will not go out of our way to help you develop."

Only 30 to 35 percent of employees felt their managers adequately counseled them on their career development.

In today's supply-constrained labor environment, that message is driving workers out the door by the thousands, and costing companies millions of dollars per year.

2. Be lean—but not mean

The trend in recent years toward developing "lean" organizations has contributed to the perception that "my company doesn't care about me." Many employees today find themselves trapped in a narrow job function so mission-critical that the organization cannot afford to move them. Their bosses say, "You're indispensable in your current role; I can't let you take on new assignments in peripheral areas because there's no one else to do what you're doing."

This often leads to a double loss for the company. Frustrated employees, unable to satisfy their need for growth, resign, leaving gaping holes that disrupt the company's workflow in the short term. And the company loses strong performers who could have filled other, more important, roles over the long term.

Companies must change the way managers think. Rather than seeing their departments in terms of strategies to be executed and tasks to be done, managers must instead see people, each with unique talents, needs and career aspirations. Nurture good people, keep them around, and the strategies will be executed, the tasks will get done.

Managers who "get" that people must come before strategy, continually ask, "What's the next step for this employee?" For top performers the answer may be a position for which the person is not necessarily ready. High achievers require a job that stretches their talents. New job assignments are a great means to develop people. Cross-functional moves, profit-and-loss responsibility, the chance to start a new business activity, participation in high-profile task forces, and even temporary assignments—all these place employees in unfamiliar territory where they can develop new skills and grow.

A company we work with in the petroleum industry is having a very hard time retaining technical staff. Because the oil business declined sharply in the late 1980s, few college students pursued petroleum engineering. As a result, even though the industry has now rebounded, it suffers a severe shortage of qualified talent. Companies compete fiercely for the limited pool of petroleum engineers, poaching one another's talent by offering attractive salary and benefits packages.

Three-quarters of unhappy employees do not believe their company knows where it is going; nearly half of satisfied employees feel the same.

So what has the company done to keep talent in such an environment? For starters, it matched industry practice by offering stay bonuses (e.g., "If you're here one year from now, we'll pay you $25,000"). Promoting top performers into management is not an option for the company. Because new blood has not entered the trade in the past decade, petroleum engineers now tend to be middle-aged, and those who were destined for management have already advanced. So the company sought non-monetary solutions. It conducted a survey to learn what other factors could influence the engineers to stay.
The survey revealed that the engineers yearned for two things: cross-functional movement and personal development. The company is now implementing an aggressive program to offer engineers the chance to expand their skills in new areas. "We're willing to put them in an area where their expertise might not be as valuable to us," says a top executive. "We realize that's expensive, but it's better than losing people to competitors. We're trying to invigorate people so they'll stay." The company will also offer international opportunities, as well as increase allocations for coursework and attending trade conventions. "We'll try anything that increases their sense of personal value," the executive says.

3. Walk the talk

Top managers may know the company strategy like the back of their hand. But most employees do not. Our research shows that only 27 percent of dissatisfied employees feel their company has a clear sense of direction, compared to 57 percent for satisfied employees. Those numbers should be a wake-up call for executives. It is troubling enough that three-quarters of unhappy employees do not believe their company knows where it is going; it is astonishing that nearly half of satisfied employees feel the same way! The bad news is that these numbers are, of course, way too high. The good news is that, once aware of the problem, companies can change these perceptions with a strong communications effort.

But merely having a strong strategic vision and communicating it to employees is not enough to guarantee employees will stay. Behavior must be consistent with strategy. When it is not, employees become disillusioned. One company we worked with undertook an initiative to increase customer satisfaction. It was a clear strategy, well articulated and backed up by training. The company taught its customer service representatives to listen better and provided extensive coaching to help reps answer questions effectively on the phone. Surely customers would find the retrained reps more knowledgeable and helpful, and end the call with positive feelings about the company.

Under this dysfunctional incentive system, reps could only achieve their personal goals if they undermined the company strategy.

Unfortunately, management failed to change the existing incentive system. Call center compensation continued to be based on how many calls reps answered per hour. The more calls they answered, the more they earned. Recognizing that long calls decreased their compensation, reps did whatever they could to shorten call length, whether or not customers got what they wanted. Under this dysfunctional incentive system, reps could only achieve their personal goals—earning more by taking more, shorter, calls—*if they undermined the company strategy.* If they strove to satisfy the customer—listening carefully, responding fully until the customer got what she wanted—the reps would have had to fail within their own organization. As a result of this incentive system, reps surveyed felt a very low sense of achievement in their jobs and showed low confidence in management.

This is a poignant example of a disconnect between the company strategy and reward systems. Imagine what it feels like to be an employee in such an organization: "They tell me they want one thing, but the incentives they have created tell me to do something very different. Management is confused and inconsistent." Employees so disillusioned are likely to seek greener pastures.

4. Measure "soft" skills

Many organizations today pay lip service to the human factor in managing organizations. "We care about our people." "We're all like a big family." "There's no such thing as good companies, only good people." To be sure, we have surveyed some companies where employees acknowledge that reality measures up to the rhetoric. But we have also seen the opposite, where employees were deeply cynical about company incantations on the value of people.

Inconsistency between the message and managerial behavior is often the culprit. Many companies say they value people and train their management team to cope with people issues. Yet these same managers are rewarded based on technical skills and financial results. "Soft" skills, people skills, are not rewarded and no metric exists to evaluate them. Managers get the message that, despite what anyone says, "people skills don't matter," and their behavior is consistent with that message. Employees, who are nothing if not perceptive, thereby conclude that "people don't matter." In other words, they don't matter, and the company is not genuinely concerned about their development.

Amgen's story: Soft skills and priests

Amgen, a biotechnology company based in Thousand Oaks, Ca., has a history of remarkably low attrition. The industry average is about 16 percent. Amgen at one point lost less than five percent per year. But in the late 1990s that number shot up to about 10 percent. The company took action, implementing a major management development program. A key aspect of the program was getting managers to take an active role in managing their subordinates' careers. "Before that, career development was the employee's responsibility," says Ed Garnett, Amgen's head of executive resources. "It was, like, 'if you want to get ahead, build your own formal network, get your own development plan together. Use our library if you'd like, but if you have a hard time, go see a priest.' We realized that wasn't working."

As a result of the new initiative, managers are now required, once a year, to sit down and have a "non-performance-related" discussion with each employee. The idea is simply to talk to them about their careers. Are they happy? Are they challenged? Are they moving in the direction they want to go?

Initially, managers were enthusiastic about the idea, but it soon became apparent they were not actually conducting the interviews. "Managers kept saying they didn't think they had the time," says Garnett. "That's why we decided to start measuring it." Today, when a manager holds a career discussion with an employee, they both sign a form that goes into the manager's file. No form. No reward. Tying career development coaching to manager compensation made a big difference. But that is not all Amgen did. "What really got people on board was when the CEO and executive committee got behind it," Garnett explains. "The CEO was conducting the interviews with the executive team.

The executive team was conducting them with the next layer of management, and so on down the line. We talked about it constantly at staff meetings, telling people how important it was. Today compliance is great."

Providing development opportunities to employees in their first two years with a company is critical.

5. Fight attrition with smart training

Think of training as career development. Two principles can help companies score big retention wins through training. First, keep it relevant. Some firms act as though any training is better than none. From the employees' perspective, that is not true. If training is not relevant to their jobs, if they are not going to be able to use the skills they acquire on the job, they feel it is a waste of time and that management "doesn't get it."

Second, use training to broaden experience. Companies too often provide training that merely reinforces old skills instead of building new ones. We have seen cases in the pharmaceutical industry where sales reps repeatedly receive product training—called "detailing"—to help them understand the products and learn how to present them to doctors. Product training is helpful in its own way; it provides useful short-term tactics for getting reps through their next sales call. But what many of these salespeople really want, and need, is to learn how to build relationships with physicians through consultative selling. Training on building relationships is a long-term strategy that equips reps with new skills, makes them more effective at getting through to doctors and increases the likelihood they will stay with the company.

Our studies show that employees in high-performing departments—the ones you really want to retain—are particularly aware that their company's career development policies are deficient. Nearly 60 percent agreed they received adequate training to handle their current job (short term). But only 40 percent of those in high-achieving departments felt their companies provided training to help them qualify for a better job (long term). Clearly, an opportunity exists for forward-thinking companies to improve retention by taking a long-term perspective and providing better career development training for employees.

It's never too early

Providing development opportunities to employees in their first two years with a company is critical. By offering challenging assignments and making

training opportunities available during this period, management can increase the chances that employees will still be on board 15 years later. And, of course, that the company's initial investment in recruiting and training pays off. The best way to lose young people: give them the "dog" jobs and send them the message that "You gotta pay your dues." They will do just that, resent you for it and jump to another company that appreciates their talents.

Good people see good bosses as the wind beneath their wings.

6. Weed out poor managers

Studies have shown that many people leave their jobs because they are unhappy with their boss. This is consistent with the research discussed in this paper, which shows that "ability of top management" is the second highest factor contributing to high attrition. It is also supported by past Hay research showing that the "leadership style" of bosses strongly affects "climate," which refers to a series of factors that determine an organization's working environment.[3] The implication is clear: Good people see good bosses as the wind beneath their wings. And they recognize that they will go nowhere with a weak boss who lacks influence in the organization. Employees who lack confidence in their bosses will leave the organization sooner rather than later.

So, a key retention strategy is to weed out marginal managers. Replace them with managers who can craft a compelling game plan, communicate it effectively to their teams, and deploy initiatives that are consistent with company strategy. Good employees expect nothing less. As our studies suggest, companies can win the war to retain talent if managers are well trained and receive incentives to consider their employees' career aspirations and provide relevant career development opportunities.

When she joined Dynamics Research Corporation (DRC) last year, one of the first things Maria Grasso did was "hone in on managers." As the new Director of Organization Development, she wanted to find out which were truly suited for the job and which were not. The firm is located on Boston's high-tech Route 128 Corridor and its engineers, scientists and technologists are coveted by other local firms. Retention is key to the DRC's competitiveness, and Grasso believes it has everything to do with the boss. "People don't leave jobs, they leave their managers," she says. "I believe people would rather work for the best manager at the worst company rather than the worst manager at the

[3] Daniel Goleman, "Leadership That Gets Results," *Harvard Business Review*, March-April 2000.

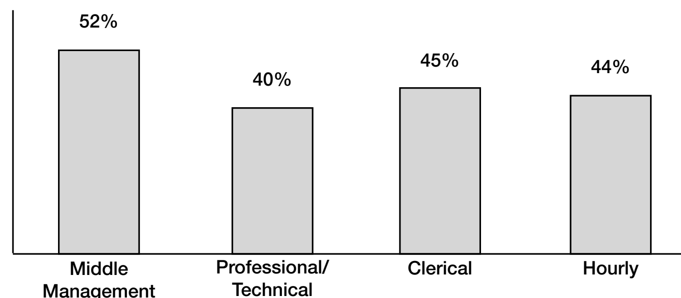
best company." DRC replaced poor-performing managers and embarked on an aggressive development program. First, it drove home to managers—with hard statistics—how costly it is to lose employees. "A lot of managers don't realize how valuable these people are!" Grasso says. Then, it gave managers the skill set to retain their people. Key to that is the understanding that managers do not just control the day-to-day activities of their employees; managers control the development of their employees. The better the management team understands that distinction, the more likely that key employees will stay.

7. Eliminate weak performers in non-management ranks

Managers often underestimate how vehemently employees resent the presence of underperformers within their workgroup. "Why does management cut that person so much slack?" employees say. "I could never get away with that."

A shocking statistic: More than half of employees surveyed said they believe their companies routinely tolerate poor performance.

Figure 6: Poor performance is usually not tolerated where I work.
(% who agree)



Moreover, underperformers often shirk responsibility, burdening their teammates with additional work. Despite this resentment and its contribution to employee attrition, acceptance of underperformers is rampant within most companies. Our research confirms this. Figure 6 shows that more than half of employees surveyed said their companies routinely tolerate poor performance. Read that again. It is an astonishing figure. If the numbers in your organization are similar, it may help explain why good people are walking out the door. The task of weeding out low performers is unpleasant and sometimes destabilizing in the short term. And it requires the expense of recruiting replacements and then training them. But the effort is well worth it. In due time morale, and retention, will likely improve.

Conclusion

Most senior executives these days know that attrition is causing pain in their organizations. Workflow interruptions and dipping morale are obvious signs. Few, however, have actually taken the time to quantify the cost. A simple back-of-the-envelope cost-benefit analysis will convince most executives that efforts to improve retention can have a huge payoff. For example, a consumer products company we work with recruits about 100 executives each year, a quarter of whom leave within 12 months. The average direct cost of recruiting and training an executive is about $250,000, so the company loses $6.25 million per year to attrition in this group. Retaining 10 of the 25 who leave—a reasonable and achievable goal—could save the company $2.5 million per year.

Clearly, efforts to curb attrition can pay off. But where do you begin? With new employees, adopt measures immediately to demonstrate the company's commitment to growing their careers. When it comes to retaining existing employees, perhaps the most compelling message from companies that have tamed the attrition beast is this: Listen carefully. Your employees are remarkably willing—even eager—to talk about their career needs, and embedded in their responses are the solutions for keeping attrition under control. Says Amgen's Garnett, "Every night your biggest resource is going home in tennis shoes [this is California]; the question we all have to ask is, 'What are we doing to make sure they come back?' You can never stop headhunters from calling. But if people feel they're valued, and that you care about their careers, they'll hang up on those headhunters."

ABOUT HAY GROUP'S RESEARCH

Much of the data in this report comes from Hay Insight's employee opinion database. The current Hay global normative database contains survey responses obtained in the past four years from about one million employees at more than 330 companies. It includes responses to about 300 questions, and allows companies to benchmark their own employees' opinions by occupation, industry, country/region and other relevant demographic information. The database offers "within-industry" comparisons as well as comparisons to "companies overall" and to "high-performing companies" (defined as those rated #1 or #2 in their industries, and/or being included in the top third of the Global Most Admired List, compiled each year by Hay Group for *Fortune* magazine).

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