

Employee Retention Strategies

Employee retention strategies and ideas about how to retain your people in 2017 and beyond...



This article is about **employee retention strategies** and staff retention ideas, which was inspired after reading Simon Sinek's book 'Leaders Eat Last.' I read this second book of Simon's after reading his first book 'Start With Why'.

Before you read either of these books (and I recommend you do), please take a moment to watch his TED talk, see video at the bottom of this article.

So what's all this got to do with employee retention strategies you might ask? Because you're probably reading this for some *effective employee retention strategies*.

You may be looking for employee retention ideas and effective ways to reduce employee turnover...

Well leadership and 'Start With Why' have quite a lot to do with **employee retention**, and it begins with the question 'WHY'...

Employee Retention Strategies

The main sections of this article on employee retention strategies are:

- Companies which are in tune with their ‘WHY’ are more likely to retain their staff...
- Employees who work for a WHY do so for more than simply a pay cheque...
- Employing the right people in the first place will mean they are more likely to stay with you...
- Putting employees first over customers and shareholders will improve employee retention rates...
- Creating a job for life is a sure way of reducing your employee attrition rates...
- Create a place of trust...
- The circle of safety...
- Keep the numbers of employees in a group to less than 150...
- Leading your people and not managing your people will lead to improved employee retention rates...
- Consider using the phrase ‘TEAM’ rather than ‘STAFF’...
- Strategies to keep your employees happy will ensure you create a positive working environment to work in...
- Paying sick leave is another employee retention strategy to consider...
- Some other thoughts and ideas on employee retention strategies...including how to calculate employee turnover...
- Employee retention strategies advantages and disadvantages...
- Simon Sinek TED talk...Start With Why...

I've always hated it when I receive that letter of resignation. Some of the questions that may go through your mind when someone resigns are:

“What did we do wrong as a company?”

“Could we have done more to retain the member of staff leaving?”

“Are they going to the competition?”

“Do I offer to give them a pay-rise or some other incentive to stay?”

“How soon can I get someone to replace them?”

So having had businesses where I was always striving to find new talent retention strategies, I felt this article would be a good one to write.

Retention strategies meaning...

Before I jump to what I consider to be the best employee retention strategies, I would like to look at the retention strategies definition.

The meaning of retention strategies in the context of employees relates to the policies, plans and the organisations approach to retaining its talent. Within the definition or meaning of retention strategies, for most organisations the aim is to reduce employee turnover and attrition.

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What most businesses aspire to is to have their employees engaged with the business. When people are engaged and ‘feel safe’ they are more productive. Employees tend to work harder and smarter for the better of the organisation as a whole.

The challenge for entrepreneurs and business leaders is how to align their employees with the overall goals of the business. This is why I have begun this article with an employee retention strategy that includes ‘The Business WHY’...

Companies which are in tune with their ‘WHY’ are more likely to retain their staff...



Before I continue, I need to explain what Simon Sinek meant by a ‘WHY’ statement in his book ‘Start With Why.’ At the end of this article I’ve included a link to Simon Sinek’s TED Talk on starting with why. This talk by Simon will help you to put this in context.

I also hope that it will inspire you as much as it did me.

A person’s or a company’s WHY is their purpose, belief or their reason for doing what they do. This does not mean making money or a profit; making money or a profit is a result of being in business.

A WHY goes much deeper than that. It should be the reason you get out of bed every morning. If the only reason you get out of bed each day is to make money, then your life will not be very fulfilled.

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**Leaders who operate through their WHY are more inspiring.
They are more likely to retain staff who believe in the same
WHY...**

Where a company and the owner or ‘leader’ of that company are still in touch with their why, this can be extremely powerful for **staff retention**. This is especially true as a **long term employee retention strategy**.

For example, in Simon’s book, ‘Start With Why’ he uses Apple to explain this principle. With Apple, their WHY was “*Everything we do, we believe in challenging the status quo. We believe in thinking differently.*”

However, since he wrote his book, sadly the person behind the company’s WHY has died. Steve Jobs was extremely adept at articulating and living up to Apple’s WHY.

He did this through the way he and his company created innovative products that challenged the status quo. As a result of Jobs running his company in a way that reflected what it represented, it meant that they attracted the right people to work there. It also meant they attracted a particular type of customer too, but more about that in another article.

Employees who work for a WHY do so for more than simply a pay cheque...



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The employees that were at Apple for the WHY it represented, were there not necessarily for the pay, the perks or bonuses, but because they also believed in the same WHY.

Their purpose or belief, or their own personal WHY, was to also challenge the status quo, but in order to achieve this for them, they work for Apple.

However, the WHY for Apple has changed since the death of Steve Jobs, and let's put it this way, the new WHY is similar to other computer companies. So it'll be interesting to see how long the company succeeds in the manner it has been used to under new management and direction.

Where there's a WHY, there are HOWS and WHATS...

I would like to make mention of Steve Wozniak, as I know Apple wasn't just Steve Jobs. Wozniak was the person who helped translate Jobs WHY into the HOWS and WHATS described in Simon Sinek's '*Golden Circle*'.

Again perhaps more of that in another article, as this one is about *employee retention strategies*.

Back to Apples employee retention rate, which by the end of 2015 stood at its highest at 81%. Will the people who joined Apple for their original WHY stay? The original WHY of Steve Jobs that is. Will their retention rate drop as a result of the change? Only time will tell.

Focus on your company's WHY...

Once you understand your company's WHY, and you articulate this in the right way, you will attract both customers and employees who relate to your WHY.

Having a WHY, there's a long-term defined purpose to a company.

Where your employees are in tune with your WHY, they are much more likely to be happy.

However, by having a WHY, which is focused on the long term, this will create a much better 'feeling' than one of happiness.

That feeling or emotion I'm talking about is fulfilment...

Fulfilment is a longer lasting and a more satisfying feeling than happiness. Happiness is a short lived emotional response you get.

The feeling of happiness is something you could get from something quite simple, like getting a task done you've been meaning to get done. Happiness comes from the things you do and what you do.

Whereas fulfilment comes from why you do what you do. Long-term happiness is the result of fulfilment and is only achieved through pursuing the things that are fulfilling.

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For example, to relate these two comparable emotions with regards to a relationship; when you receive a compliment from your partner or you get a hug from them, both of these events will likely make you ‘happy in the moment.’

These feelings are only short-lived. The feelings or the emotion you experience, are as a result of the shot of Dopamine you get from these ‘loving’ experiences. Whereas the deep-seated reasons behind ‘WHY’ you chose to be with the person, provides for a much stronger emotion than this short-lived happiness.

Many times it’s much more difficult to articulate the reason WHY you are with your partner or why you love them. But by being with them provides for a long-term happiness, which is better known as fulfilment.

This is what you should strive for with your employees. Yes you want them to be happy and to achieve things each day or week. However, you want them to be there for more than what they do each day. You want them in your employment to be working towards the company’s WHY. You want them to be fulfilled.

To get a better understanding of what I’m talking about on the difference between happiness and fulfilment, please take a moment to read this article by Tom Corley on Rich Habits – [What is Happiness? Happiness vs. Fulfilment](#)

One of the most effective employee retention strategies is to employ the right people in the first place, which will mean staff are more likely to stay with you for the long-term...



Taking the time to employ the right people is one of the most effective employee retention strategies in my opinion. If you attract the right people to your business in the first place, they are more likely to stay with you for the long term.

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This is especially true if you've articulated your 'WHY' you are in business. Which means to attract like-minded people the job advert needs to articulate your WHY.

I advocate employing people for their personality and mindset over what skills they have. You can always train someone, people can learn skills. However, you can't teach personality or a way of being.

So if you articulate your WHY statement and focus the advert on what type of personality you are looking for, you will attract those kinds of people. Spend time interviewing the applicants to see which ones fit best.

Once you've narrowed your search with the '*right-fit-people*', you can still chose the ones who have the better skills suited to the role.

Hire slowly...fire fast...

The old motto 'hire slowly...fire fast' is good to a degree, especially with regards to the first statement.

Taking a lot of time over the hiring process, will mean you find out more about the person than you might do if you simply met them in a half hour interview.

With regards to the second statement in this motto i.e. '*fire fast*', please see the section on '*A Job For Life*' below.

Adopt the group interview process...

Group interviews are a great starting point for interviewing people. Many of the airlines adopt this approach.

In a group interview you get to discover more about people and how they work and interact with each other.

Group interviews work best with at least 4-5 people in attendance, preferably more. Also, you need at least two interviewers or facilitators, one to orchestrate the group interview process, and the other to observe.

I would recommend having three or more group interview facilitators to help the process run smoothly. This also allows for a broader opinion on those candidates who are best suited for the company.

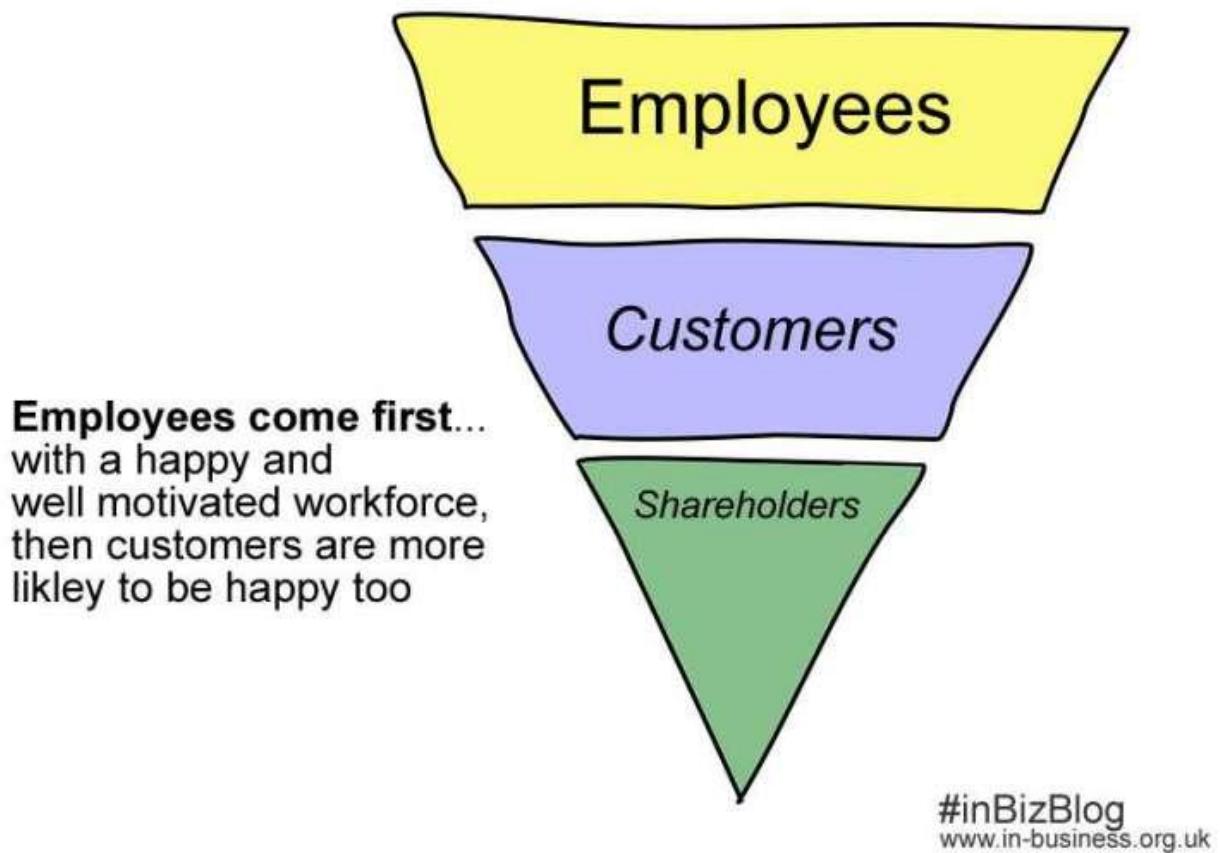
Once you've seen the candidates at the group interview stage, you will probably have scored the attendees on various metrics. Narrow your selection from a combined review of the metrics and then carry out more focused individual interviews.

I recommend you have each potential new team member meet existing employees. Get their feedback on the possible new team members.

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Employee retention strategies lessons from the best...putting employees first over customers and shareholders will improve employee retention rates...

Richard Branson's Virgin Group and turning the pyramid on its head...



With regards to employee retention strategies and lessons from the best, two companies come to mind. There are two successful businesses that are on record for putting their employees first. These two organisations are Richard Branson's Virgin business and Herb Kelleher's Southwest Airlines Company.

It's funny that they both happen to be airlines. They both openly put their employees before customers and before shareholders.

In both cases, their argument for opting for an *employee-first-strategy* is that happy and fulfilled employees are more inclined to provide better customer service. The employees will be more inclined to go the extra mile to create happy customers.

This becomes a win for the business as a whole and ultimately for the shareholders too.

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The ‘Upside Down Pyramid’ where the employees are at the top...

Richard Branson talks about the upside down pyramid. The wider end of this pyramid represents the employees. The smaller and bottom end of the same pyramid represents the shareholders. In between these two sections of the pyramid are the customers.

This way of operating has certainly worked well for Virgin. It has also worked well for Southwest Airlines too.

The employee retention rates for both these companies are better than the average company. For example for Southwest Airlines their **retention rate** as disclosed by Loyalty Rules stands at 4-5%. The people that work there will feel valued. They will feel safe and ‘wanted’.

This strategy is a caring one and is opposite to what many companies do, where they treat their people as a commodity, rather than the most important element to any business.

Creating a job for life is a sure way of reducing your employee attrition rates...



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A *job for life* may seem alien to most these days. It used to be more common a number of years ago, particularly if you worked for government.

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But things changed; but why is that?

What changed was that people became numbers on a spreadsheet. The drive for higher profits. The pressure to keep shareholders and investors happy.

But isn't that all short-term thinking?

I would say; yes it is.

Consider another alternative to redundancy or layoffs...

I like the discussions included in Simon Sinek's book 'Leaders Eat Last' on this subject. There are two references to redundancies of lay-offs.

The first is with a company called Barry-Wehmiller and the owner Chapman. The company was facing hard times and it looked like there would need to be some significant redundancies to make ends meet.

However, Chapman decided to go about the problem in a different way. In his case instead of a few people suffering a lot, he presented a case whereby all suffered a little.

What he did was to ask every employee, including top management, to take four weeks unpaid leave. The savings made by introducing this scheme were enough to get the business through the difficult time. No one was laid-off and what Chapman got back in return was in buckets. Those buckets were filled with appreciation and loyalty he could never have anticipated.

When the company returned to good times again, the people repaid the protection they received with an intense loyalty.

The employees wanted to do whatever they could to help the company.

Life time employment reduced employee turnover to 1%...

The second example in Simon's book is an even better example of how to directly affect **employee retention rates**.

In this case a company called Next Jump owned and run by an entrepreneur Charlie Kim. Kim made a decision to create a safe environment for his employees, and what he did was extremely bold.

He announced that he wanted his company to be a place where their mothers and fathers would be proud of. One such thing in making them proud is to do the right thing. What he did first was to implement Lifetime Employment at the company.

It may appear that it is the only technology company to introduce such a scheme in the USA too. The policy meant that even costly mistakes or poor performance would no longer be grounds for dismissal of an employee.

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Employees should be coached instead of sacked...

The company changed tack completely and instead would be there to help and support anyone who was struggling. The business would coach its employees instead to help them get through their dip in performance or to help them to overcome any mistakes they've made.

What they also introduced was a very strict code of practice for the company's employment procedure. They are very selective of who they hire at the company. As discussed earlier in this article, the company evaluates the person's character; their skills and experience is secondary.

The focus in Next Jump has shifted for its management. So instead of simply managing the people it employs, the leaders must work hard to find the right people to fit in. This way they are more likely to succeed. Less energy will be wasted with managing the wrong people and the long-term costs savings will be huge.

Employees are treated like his children...

Charlie Kim sees his employees as he sees his children. He can't envisage a situation where he'd layoff his children, saying "*children are for life... we can't get rid of family.*"

The same is true for his employees, "*firing someone is the easy option.*" Kim says.

What was truly inspiring about Kim's decision to create **Lifetime Employment** was his employment turnover went from an average 40% among its engineers to just 1% **employee turnover**. That's truly amazing and well worth considering.

Employees at Next Jump feel safe. A feeling that is worth more than a higher salary, or an extra bonus.

Employees at Next Jump feel a part of something...

Create a place of safety for your employees...

As already seen in the above example with Next Jump, people need to feel safe. If a person feels safe and they are fulfilled, they will remain loyal to your company.

The feeling of safety goes back to our tribal days. It's in our biology and is deep seated within our makeup.

By creating a safe environment for your employees, it will breed loyalty and commitment.

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Create a workplace of trust...



Create a workplace of trust; trust is such a key element to a happy and fulfilled working environment. So don't underestimate how powerful this will prove to be in improving employee retention in your business.

If employees are working in an untrustworthy place, they'll be constantly looking over their shoulders. Worrying about who's talking about them, who is going to stab them in the back and always on the lookout for 'danger'.

When this is the situation, the employees will be wasting energy and '*emotional-intelligence*' watching for danger from within, rather than focusing on the 'dangers' outside of the company.

Where this is the case, employees will be less productive. They will get less work done and the business will suffer as a result. When the people of the organisation are focused on the 'dangers' on the inside of the business, they are not focusing on the 'dangers' on the outside.

People will move to a place of safety...

What will also happen is people will leave to find a place of calm and safety.

I've experienced this first-hand when I part-owned a care business. In this case it was my two other business partners who were in an almost permanent battle with each other. They were brothers and they were in constant conflict.

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I could no longer put up with their constant bickering, as it created a bad environment in which to work. In the end I left the business and asked them to buy me out. It's a shame, as I'd worked hard to help them turn the business around.

Working as the Managing Director at the time, I helped them grow it from a small £300,000 (USD \$390k) turnover business to a £1.1 million (USD V\$1.43 million) business. The care business went from breaking even to making a profit.

The sad thing for the business is that one of the other key employees also left for similar reasons. So in this case conflict within the business brought about a major change.

A change that ultimately led to the remaining partners splitting the business.

They no longer had the go-between to vent their personal angers through.

Our brains still operate like animals in nature...

The way it works in nature is that herds of animals look out for each other. They are strong as a group. If one wildebeest spots a lion and looks up, it is likely that others in the herd will see the signal.

This '*seeing of the danger*' will pass through the herd, until one decides that the lion is too close and will make a run for safety. The rest of the herd will follow suit and as a result the whole herd should survive the attack.

If however, the herd were distracted within the group, for example through in-fighting, they may not spot the approaching lion. The lion will get closer to the herd before it's spotted. As a result it's more likely the lion will make a kill. One of the herd will suffer as a result of the herds in-fighting.

This analogy works for a group of employees or an organisation as a whole. We are 'group/herd' animals too and work and survive better in groups.

Our survival in a group is improved through working together as a team. In-fighting only serves to provide distractions and will mean the business may miss the approaching proverbial lion.

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The circle of safety...



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Going back to Simon Sinek, he talks about the ‘**Circle of Safety**.’ The Circle of Safety is about creating a safe and trusting working environment.

An environment of support and where each employee looks out for one another, and all within an organisation which is lead by a leader who understands the importance of trust and protection.

This will mean that as a group, i.e. as a team of employees working together for the common good of everyone in the circle, you’ll be better able to protect against outside dangers.

“A lion used to prowl about a field in which four oxen used to dwell. Many a time he tried to attack them; but whenever he came near they turned their tails to one another, so that whichever way he approached them he was met by the horns of one of them.

At last, however, they fell a-quarrelling among themselves, and each went off to pasture alone in a separate corner of the field. Then the lion attacked them one by one and soon made an end of all four.”

Aesop, sixth century B.C.

The dangers of the wild in the above analogy and in the sixth century story, which for us as cavemen were dangers like Sabre Tooth Tigers, have been replaced with modern dangers. Whilst these dangers will not kill us, they are none the less dangerous to our survival in the modern world.

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Modern world dangers to business...

Dangers such as new competitors, or new technology or a change in economic or market conditions, which may put a strain on the company. If employees are fighting each other, these outside dangers may be missed, or when they are spotted it may be too late.

Trusting your employees to do the right thing is good for morale. If you trust a person, they are more likely to trust you back.

Keep the numbers of employees in a group to less than 150...



Going right back to our cave men days many thousands of years ago, the groups we used to live in never exceeded 100-150 people. An interview with Robin Dunbar at The Guardian Newspaper about *evolutionary anthropology* helps us understand this concept more.

Evolutionary anthropology is the generic study of how we as humans came to be modern humans. But in particular how our minds became the way they are.

All of our social behaviour is routed in our biology.

All animals, from birds through to mammals, which includes primates and humans, have their biological inheritance, which gives the '*ball-games rules*' of how to play the game of life, according to Dunbar.

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With a small group, which in this case is no more than 150 people, there exists a relationship of obligation and trust between all. As the group is small enough, you are better able to have a personal history with colleagues. This is as opposed to larger groups where people become just names and faces. In which case there can be no meaningful relationship and certainly no obligation or trust.

This number of people in a group is now referred to as the Dunbar Number, which is 150 people.

Sociality or group living was the communal solution to the survival out on the plains...

What Dunbar discovered was that in the hunter-gatherer societies there were groups of round 150. Of course there were layers inside of that and layers outside.

His further research found that in the Dooms-Day book the 150 number came up for small villages. Also, in the modern world, his research found similar numbers too.

The Dunbar Number of 150 is linked to brain size, so that as we go back in time and as we as primates had a smaller brain, so did the group sizes reduce too.

Everybody has obligations towards everybody else...

Within that group of 150 people every member has an obligation to one another. Which was true in the hunter gatherer society situation. In this case the community polices itself. There's no need for a hierarchy, there was no need for a police force and no real requirement for legal systems.

What he also talks about is the importance of face to face contact in our communication as humans with building trust. By having personal interaction with the people within our community, this is a key component to building human trust and our behaviour to one another.

It's only when we come face to face that we are able to utilise our body language to communicate properly with one another, in order to build trusting relationships.

Touch is also vital in our communication, where Dunbar explains that "*touch is worth a thousand words any day.*"

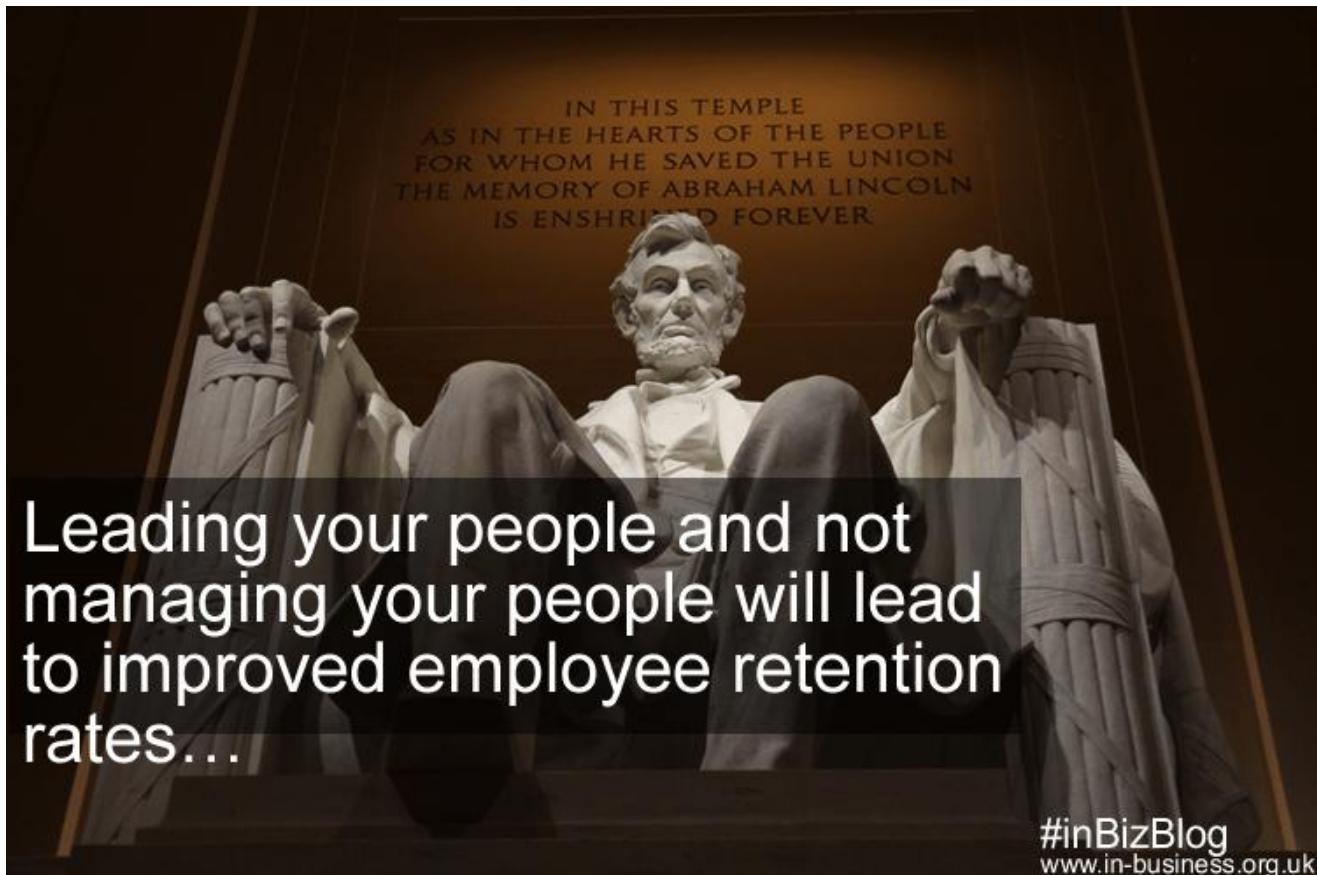
Where a group of people exceeds the Dunbar Number of 150, it becomes near impossible to know every member of the group. It becomes impossible to support each other and therefore it becomes difficult to succeed as a group too.

Smaller groups of people work better and especially if they are all tuned into the same WHY, as discussed above.

Where a person feels safe, trusted and part of the team, they are much more likely to be loyal and stay with your company for the long term.

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Leading your people and not managing your people will lead to improved employee retention rates...



People don't like to be managed, they want to be lead. A good leader will allow their team to flourish and they will trust each team member.

In the above image I chose Abraham Lincoln, as he's a famous leader. Presidents and prime ministers don't manage, they lead. Can you imagine Abraham Lincoln trying to manage the people of America, this just wouldn't work.

As with any president like Lincoln, they have to garner trust. With a business leader this is no different. If the employees don't trust their leader, problems will emerge.

But trust is a two-way street. If you trust someone, they are much more likely to trust you back.

Not trusting your employees is short term thinking...

An example of an "*un-trusting leadership to team members relationship*" would include using a clocking in and clocking out system. Having your employees clock in each day shows a lack of trust.

How can you expect them to trust you, if you don't trust them? You create an un-trusting environment, which is stressful and unhealthy.

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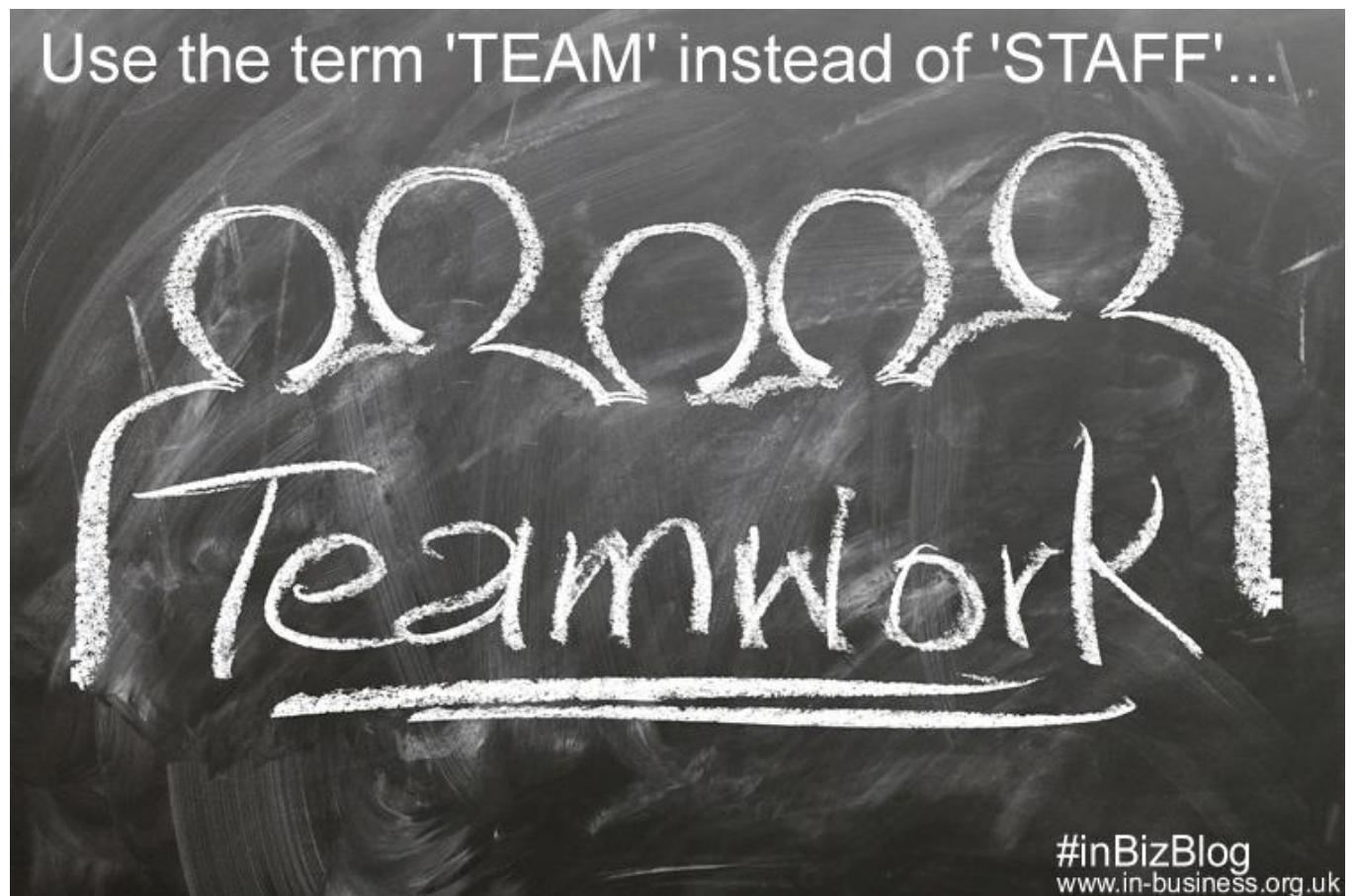
If you have a clocking-in system at your business or factory, try removing it for a while. See what happens with your people. You'll be sending a signal of trust to them. Most will still be there on time. Plus most will also stay to the right time too.

The team members will begin to self-police themselves, especially if they are in groups of less than 150. If staff members begin to show up late or leave early, and in doing so affects the other members of the team, they will soon get fed and say something.

In return you'll get more back from your team members.

You'll create a place of mutual trust, where people will begin to feel safe. As already discussed a safe working environment is a basic need for people.

Consider using the phrase 'TEAM' rather than 'STAFF'...



Terminology has a big impact on meaning and how things are perceived. So as the underlying thread of this article is about treating employees with respect and dignity, I wanted to include how you might want to change how you refer to your people at your company.

The word staff, which is defined as '*the group of people who work for an organization*', isn't a bad term, but it does tend to have the connotation of a group who are working together for a combined goal.

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Maybe this is just my interpretation of the word. But I much prefer the term team-member or team, as it feels more inclusive and more engaging.

Sport people play in a team to win together as a collective...

A group of football players on a pitch are referred to as a team. Why is this? It's because they play together with the goal to win. They work together as a team, with set positions, all supporting each other with the aim of winning over the competition.

With a team there's that sense of working together, that's perhaps because of the verb definition of the term is '*come together as a team to achieve a common goal.*' This definition explains it all to me. The words "Common goal" shows how a team is there to work together.

So if in your job you are considered a team member of a larger team, you are more likely to work together. You are more likely to feel important and needed. This creates a sense of belonging, and therefore, creates a safe environment. It creates a space where there is support and a sense of working together, rather than against each other.

Strategies to keep your employees happy will ensure you create a positive working environment to work in...



Strategies to keep your employees happy will ensure you create a positive working environment...

Team-building exercises that build trust are great for morale and team spirit

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Team building is important for morale. And there's that word again... 'team.'

I don't remember ever seeing an event or a program called '*staff-building.*'

Putting on events or taking your employees on a trip, which allows them to get to know each other better, will help to build trust and is key to lasting relationships.

It is important however to do this outside the working environment.

Trust is such an important ingredient to a workplace environment.

Where employees trust their leader and also trust each other, productivity and loyalty will improve.

People who enjoy working together and in a place

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where work-mates are considered a friend, they are more likely to stay with the company.

Team building exercises based around trust-building are ideal. But these exercises don't all have to be based around trust only.

Allowing your employees to have fun together will help to build camaraderie.

Which ultimately is about building lasting relationships, in a workplace where your people will want to stay.

Paying sick leave is another employee retention strategy to consider...

Most companies don't pay for sick leave, be it they are off for a short period or on long term sick leave.

However, it's worth considering the introduction of paying employees whilst they are off sick.

It's possible and probably likely that people will take advantage. Unfortunately, that's the way of life. Another way of looking at this; do you want all your employees to suffer simply due to a few selfish people? For most the answer to this question is: No.

The bonus and gain through adopting such a policy is for those that really need your support when times are tough. Being paid whilst off sick is one of those times where an employer's support is needed.

Employees will be better able to recover properly. They'll be less likely to come back to work too early, which is not good for many reasons, one of which



Paying sick leave is another employee retention strategy to consider...

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is presenteeism in the workplace.

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Paying employees whilst they are away sick shows a deeper level of trust.

The message you send out is that we trust you to only be off work when you are truly sick.

But more importantly, by paying for sick leave you are creating a really supportive environment.

Where you combine some of these employee retention strategies, for example employing the right people in the first place, plus those that are employed for your WHY, it is less likely the people you have in your organisation will take advantage of a supportive sick leave policy.

Some other thoughts and ideas on employee retention strategies...

BETTER Employee Retention...

**How much does it cost us as a company
to lose good employees?**

What's the cost of recruitment?

What is our employee turnover?



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Having an employee retention policy...

Do you have an **employee retention policy** or plan? If you don't then perhaps this might be a good starting point.

By having a plan makes it more likely you are going to address something as important as employee retention. Many companies recognise the cost of acquiring, training and then losing good employees. However, most don't address the root cause of the problem. Many simply accept the status quo and see

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the loss of staff as a part of business. Which it is, but there are strategies you can adopt to reduce employee turnover.

However, by getting down to write a policy on retaining staff, you will begin to focus on what is important to you as an organisation. But more importantly, what you plan to do when employees leave. But even more important...to develop employee retention strategies. Once they've left, it's too late.

"It's much better to create a nicer stable and safer environment for the horse to feel happy to stay in, than to be looking at bolting a stable door after the horse has bolted."

Employee retention is a key performance indicator not to be ignored...

There are many key performance indicators, or KPI's, in businesses to monitor. Not enough monitor **staff retention** or **staff turnover rates**, as KPI's.

Sticking your head in the sand and ignoring a problem will not mean the problem will go away, if of course you have one. But how do you know what your retention rate is or how do you know how high your *staff turnover rate* is, if you don't record or manage it?

Employee turnover is the number of employees you must replace due to resignations and other separations during a given time period. This period of time can be anything from a month to 12 months. Further down in this article, I've included a section on how to calculate employee turnover too.

To explain why Employee Turnover is important to monitor, the cost of recruiting staff must be considered.

To replace a lost employee there's a recruitment process to go through, and the associated costs...

First there are the quantifiable costs...

- There's the cost of attracting employees. This achieved either through the cost of an advert or as a cost of a recruitment agency. Both of which can be expensive.
- Orientation and training costs are another big one to consider. Of course the level of training and the costs associated with this will depend on your industry and the lost staff member concerned.
- Staff uniform cost is another consideration. It might be that separated employees are asked to return their uniforms, but this is usually only so they don't miss-use them now they've left your employ. This means that the new employee will need a whole set of uniforms, plus badges where relevant.
- Cost of paperwork and referencing. With the replacement of an employee there's the paperwork associated with the leaving member of staff, but mostly there's the paperwork for the new employee. The new employee will need to be referenced, in some industries they'll need to be criminal checked. There are the staff handbooks and employment contracts and other paperwork associated with a new appointment too.

Employee Retention Strategies

Then there are the less quantifiable costs associated with recruitment...

- Whether or not you utilise the services of a recruitment company, you will need to interview staff. This takes time and resources to do so.
- There are the costs associated with the distraction, upheaval and disruption that are all a part of when a person leaves a company. These costs are usually hidden costs and difficult to quantify, but none the less are there. Having a person leave a company can create tension and stress, which in turn can lead to reduced productivity.
- Lower productivity of new employees. It always takes time for new people get up to speed. This will mean there'll be lower productivity, whilst they get used to your way of working, new skills and any other nuances with their new role.
- Reduced productivity through time spent training new employees. Existing employees will be required to help train new employees. This will take them away from their own work and will make them less productive.
- Customer relations is another possible cost to the business. If the lost employee is customer facing and key to customer services, this might have an impact on sales. This is possible to quantify, especially where a customer leaves due to the loss of a staff member.

Put all of the above in another way, businesses that keep turnover rates low compared to industry averages can gain a cost advantage relative to competitors with higher turnover rates.

Now you appreciate some of the costs associated with employee turnover, what is employee turnover, and how do you calculate it?

How to calculate employee turnover as a business KPI...

I thought it useful to include how to calculate employee or staff turnover, as it may not be obvious to all business owners.

To calculate employee turnover, take the number of employees you have at the beginning of the period and add these to the number of employees at the end of the same period. Divide this number by two and this will give you your average number of employees over the given period.

Then divide the number of employees who have left (or separated) in the same period by the average number of employees. This will give you your employee turnover rate. Expressed as a formula:

$$\text{Employee Turnover Rate} = \frac{\text{Number of Separated Employees for Period}}{\text{Average Employees For Period}^*} \times 100$$

* Average Employees For Period = (Number of employees at start of period + Number of employees at end of period)/2

For example, if a business had 50 employees at the start of the year and 65 employees at the end of the year, but in the same period 15 employees left, the turnover rate would be: $15 / ((50 + 65)/2) = 26\%$.

Employee Retention Strategies

Employee retention strategies advantages and disadvantages...



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The article so far has been about employee retention strategies, but I've not yet focused specifically on **employee retention strategies advantages and disadvantages**.

Employee retention strategy advantages...

There are many advantages to employee retention, which are better listed, as follows:

- **Cost reduction** – Retaining staff will reduce business costs. As already discussed above, replacing staff costs money. Businesses with a high employee turnover will be at a disadvantage to those with a lower one, as theirs costs will be much higher.
- **Consistent service** – Retaining your staff will mean that your customers receive a consistent service. Where employees are constantly leaving, customer service will become disjointed and will suffer.
- **A more secure environment** – Where a business has a low employee turnover, the staff will feel more secure. This point is a bit ‘chicken and egg;’ i.e. does the business have a high staff turnover because of the less secure environment, or is insecure environment due to the high staff turnover? However, whichever it is, by having employee retention strategies will lead to a more secure and trusting environment.
- **Work quality** – By retaining employees over the longer-term you’ll produce better quality products with consistency.
- **Long-term experience** – Over time the experience gained by retaining staff will be immense. Experience is a quality that can only be obtained over time, so this is an advantage not to be underestimated. Many businesses use experience as a sales-tool.
- **Organisation culture** – Retaining staff leads to a developed culture in an organisation. This should be encouraged and lead by the business’s ‘WHY’. Each employee will play a part in retaining and developing that culture for the good of one another and the business as a whole.

Employee Retention Strategies

Employee retention strategy disadvantages...

I have thought long and hard about what to write about the disadvantages of employee retention strategies. This goes against the grain for me, but just for completeness of the article:

- **Reduced salary costs** – As employees stay with you for the longer term, their salaries usually increase over time. It is possible to have cheaper employees to take over a role when they leave. I don't feel this strategy has its place in a forward thinking type of business. Only leaders of businesses looking at the short-term would benefit from this way of thinking.
- **Recruitment errors** – It is possible that you recruited the wrong staff member and would be happy for them to leave. However, with a robust recruitment program this is less likely to happen. This is especially true when using a strong 'WHY' for the business.
- **Non-performing employees** – Where a business focuses on employee retention and there are employees who are not performing as they should, this could be deemed a disadvantage. However, what I'd say to this is to either train the person concerned, try moving them to another role or provide them with the support they need to excel.

To finish the article, I including the TED talk by Simon Sinek, as this has a lot to do with modern-day thinking about employee retention...

Simon Sinek TED talk...Start With Why...

As already mentioned at the start of this article, Simon Sinek's TED talk about starting with WHY:

Please follow this link to watch his powerful TED Talk: [Simon Sinek – Start With Why.](#)