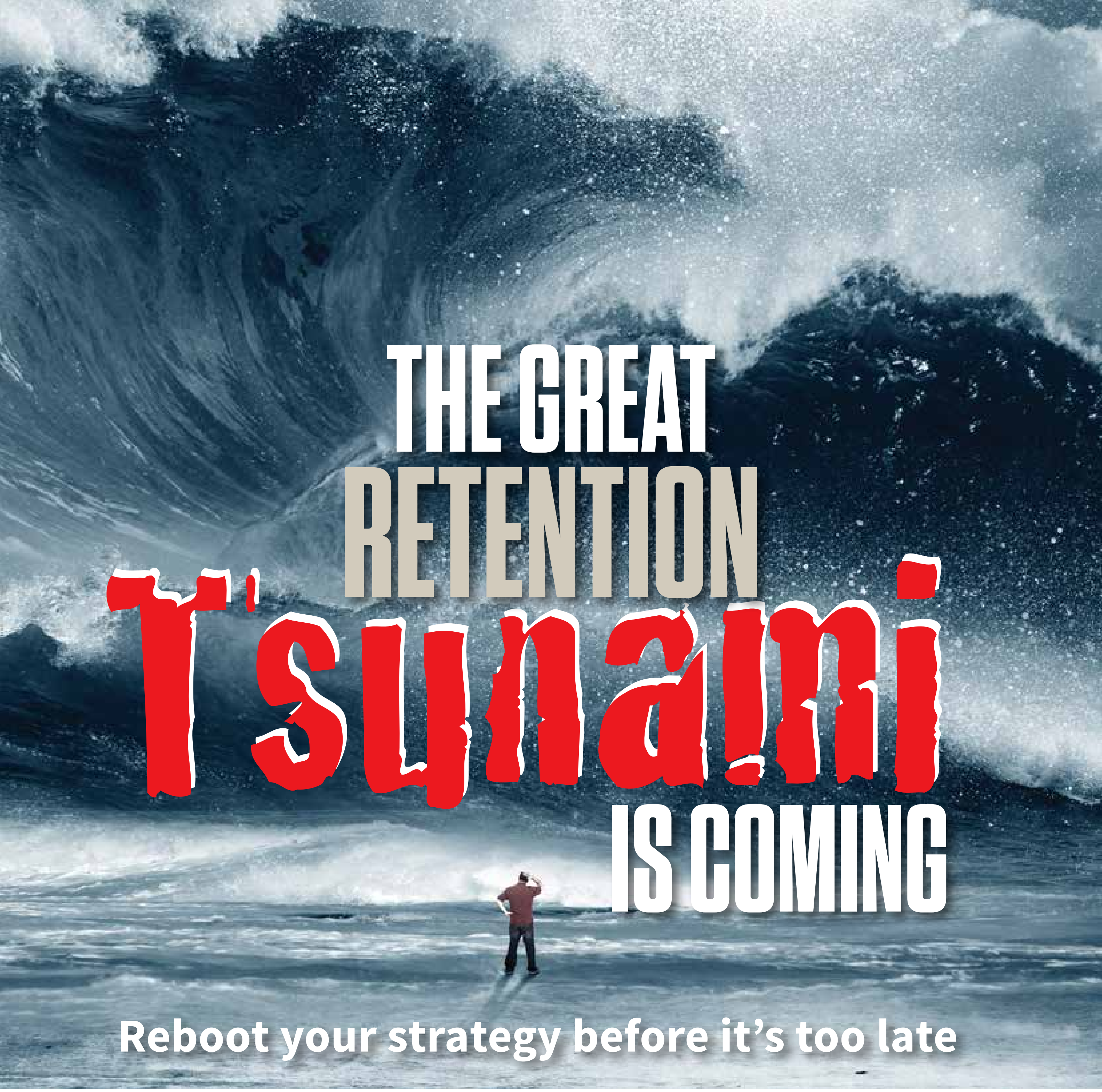
THE GREAT RETENTION Tsunami IS COMING

Reboot your strategy before it's too late



We're about to get pummeled by a giant wave of retention problems—a great retention tsunami with the power to destroy your bottom line. In the face of this inevitable tsunami, retention is no longer solely an HR issue. It's now an executive issue as well. Leaders must tackle retention head-on—or pay the price.

If you don't think retention is a problem at your organization right now, remember: Retention is a lagging indicator. So even if it's not currently an issue at your company, it will be soon. Here's why.

Roots of the Retention Tsunami

The tsunami headed your way is the result of a confluence of economic factors that are making it tougher than ever before to attract and keep talented workers. In particular, this swell of retention problems is being driven by two key factors: a near-full employment rate and today's thriving job market.

First, consider that at the time of writing this article, the U.S. unemployment rate is currently below 5%—in effect, zero, since most experts agree that number represents the chronically unemployed. What's more, the number of people filing for unemployment benefits fell to a 44-year low in 2017. This near-full employment rate has created a veritable job-feeding frenzy for well-qualified, talented employees.

Second, due to past complacency around retention, today's thriving job market has left many companies reeling. In the past, businesses could afford to be complacent—even lazy—about developing and executing a sustainable strategy to attract and retain top talent. The economy was so poor for so long, the need simply wasn't there: Without many options for other employment, workers were unlikely to leave their jobs. This was true across industries, which all faced a dearth of job opportunities due to the poor economy, sequestration, politics, and other factors.

But now, as the economy continues on its upswing, bringing with it a glut of employment opportunities, many organizations are woefully unprepared for the coming retention tsunami.

And today's thriving job market will only continue to boom. Experts predict continued economic growth in the U.S. in 2017 and beyond, with the GDP growth rate expected to likely be at 3% or better—contributing to ideal conditions that some economists call a Goldilocks economy. With all this predictable growth, and unemployment at zero, something has got to give.

An all-out talent war is coming. Without a strong retention strategy, companies will lose top performers faster and in greater quantities than they can handle, both operationally and financially.

Buried costs and hidden impact

The stunning reality is this: When an employee leaves, it costs the company at least 1 times that person's annual salary—and often up to double. The loss of just one worker causes a hidden domino effect of buried costs that directly slam bottom-line profits. But at most organizations, hardly anyone will notice.

While companies spend most of their time worrying about small expenditures at the office, they fail to realize that losing one $75,000-a-year employee could quietly cost them up to $150,000. Consider just a few of the wide-ranging, hidden costs that contribute to this astounding number:

- Damage to team morale and performance
- Lost prospects and customers
- Potential lawsuits
- Lost company and product knowledge
- Overworking of remaining employees
- Lost connections and experience
- Diminished work productivity
- Distraction from key business priorities
- Recruitment of employee replacements
- New-hire training and onboarding
- Management time diverted to new hires

Do the math, and you'll soon realize that the loss of employees is costing you major revenues—and it's only going to get worse. Saving just a couple of employees from leaving your company will more than offset any investment you make in strengthening your retention strategy.

As executives, it's our job to focus on profits. If you can reduce the number of lost employees by just 1% or 2%, that's a major cost savings for your organization. This is precisely why retention isn't an issue to be relegated solely to HR. Instead, it's an executive, strategic issue that's critical to your company's growth.

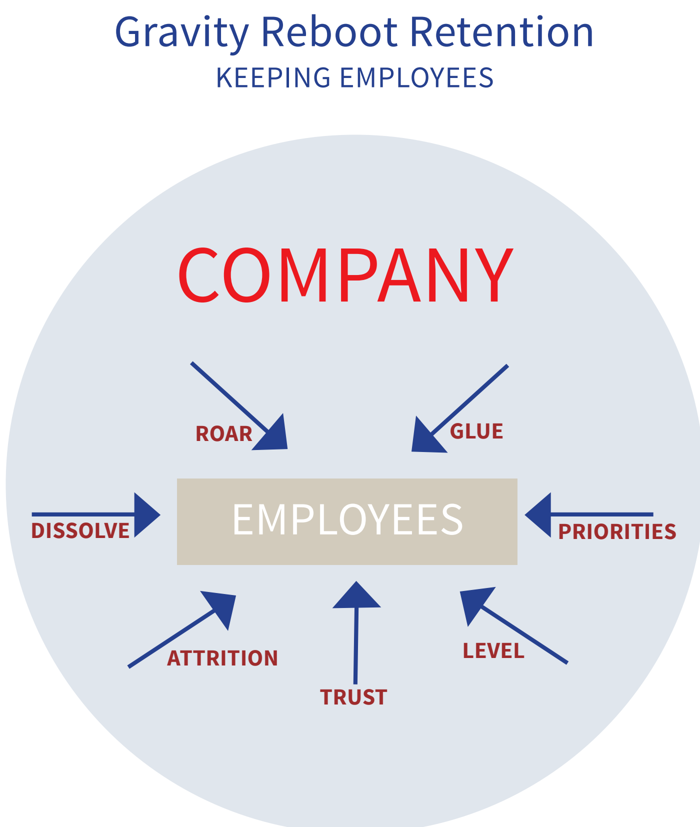
So, what's the key to protecting your bottom line? Hint: It's not salary and benefits.

The Great Myth—and the Actual Tuth

The most common myth about retention is that salary and benefits are the top reasons why good employees leave their jobs. But the data doesn't lie: While 89% of employers believe that employees leave their jobs for more money, only 12% of workers actually quit over salary, according to a Gallup study.

In fact, salary is shockingly low on the list when it comes to the actual reasons why employees quit. In a retention survey published by Inc. magazine, salary didn't even make the top five deal-breakers for employees. Number one? Lack of trust from a boss.

Meanwhile, a recent Forbes report (aptly called "The Real Reason Good Employees Quit") stated that one of the biggest problems in the workplace is that an "invisible, impermeable



wall can build up between what employees would love to say and what the leadership team can't stand to hear." A LinkedIn article echoed this idea when it listed lack of communication as the number one reason why employees "quit their bosses."

Communication between leadership and employees is the key to retention, which is essentially the glue that attracts and keeps the best workers at your company. I've been saying for years that top performers leave their jobs due to issues that can be completely solved by open, honest communication.

In today's current economic environment, this fact of life is increasingly critical for every company to recognize—or ignore at their own peril.

Reboot Your Retention Strategy: The Seven Keys

As we discussed earlier, executives and leaders must fully own the issue of retention—not just delegate it to HR. In fact, everyone in the organization needs to be involved in strategizing and executing a successful retention strategy. The best way to make this a reality at your organization is to hit reboot on your retention strategy.

Think of this approach as turning your computer off and then on again. This reboot keeps the foundation intact but clears away all the junk to re-prioritize your efforts.

Keep in mind that rebooting your retention strategy is all about preventive action. After all, preventive action is always easier and less costly than corrective action. And besides, retention is a lagging indicator, so it must be dealt with proactively.

Reboot your retention strategy by following the seven keys illustrated in the diagram below. Together, these seven critical components establish a work environment that attracts top performers—and keeps top employees at your company:

1. Apply the glue.

The glue that keeps employees at your company is their understanding of the company's mission, and the love they feel for the organization's purpose. When the heart and soul of your company isn't clear, it's difficult for employees to feel that passion—and they're more likely to walk away.

To "apply the glue" successfully, you must first clarify the heart and soul of your company: What are you about? Why do you exist? Many people lose track of the answers to these vital questions, and so they lose sight of what keeps good employees around.

Don't merely repeat your mission statement or talk about the surface-level purpose of your company. Instead, aim to "beam" the heart and soul of your company into everything you do, and everything you ask your employees to do. Embody the heart and soul of your company with every action, request, project, and initiative at your organization.

I recently worked with a top executive at a multi-billion-dollar business. He was spending most of his time making sure operations were running smoothly and correctly. But he never spent any time sharing the mission of his company in a simple, clear way. As a result, none of his employees understood why their work was important. Once he refined the message of his business, he was able to share the heart of his company with his employees. His fellow company leaders did the same. This created the necessary passion throughout the organization—the glue that made his best employees stick around.

2. Focus and execute on your top 3 priorities: employee, employee, employee.

This is about having a culture where employees come first. Many organizations say their employees are their best assets. But very few treat them accordingly. If you don't treat your employees just as well as you treat your customers, what message are you sending?

Marriott, the number one hotel chain in the world, offers a great showcase for how to do this. Marriott was founded on the principle that if you take care of your employees, you take care of your customers. This isn't to say that Marriott isn't customer-focused. On the contrary, they focus a great deal on their customers. But the differentiating factor is that Marriott is also extremely focused on their employees. I've worked with this hotel chain for many years, and the passion and loyalty shown by Marriott employees—who are called "associates"—is one of the best I've ever seen. Why? Because the company consistently values their employees in clear, demonstrable ways.

Remember, if you're truly focusing on your employees as your foremost priority, that means you're not leaving recruitment and retention up to HR. Instead, you're dealing with it as a top executive issue.

3. Level with your employees.

Many struggle to give honest feedback to employees. They fear that if the tougher conversations don't go well, the employee might feel demotivated, or even attacked. But in my experience, it's the exact opposite. Even in the rare cases that these interactions don't go well, it's highly unlikely that one conversation will break your relationship with an employee. In most cases, it will only help. And even if it hurts, it's rare that it would cause the employee to leave the company.

All employees need constructive feedback to help them grow. What's critical to retention is giving the feedback—whatever it may be—so that employees can know where they stand. Plus, giving feedback shows that you care about your employees, and that they're important to you. On the other hand, silence or lack of feedback is often misinterpreted as not caring—and as a result, your employees won't feel important.

When you have those difficult, honest conversations with one employee, it actually helps your relationships with other employees, too. Your employees are constantly doing what I like to call "boss-watching." They're observing how you interact with other employees, how you treat people, and how you take care of issues that arise. If your top employees notice that you're not addressing key performance issues with their colleagues, they'll lose faith in you—and they'll potentially leave.

As a client of mine recently put it, this creates "the rise of the mediocre": Your best employees who can leave will leave; and only those who can't leave will stay.

4. Invest in your ROE, return on employee.

The best employees desire to grow in their careers. This is one of the top key motivators that drives human behavior in the workplace. We all want to know that our best years are in front of us, not behind us. No one wants to be stuck in a stagnant job. Leaders need to give guidance, invest in, and train their best employees. When people feel like they're learning, they're more motivated to stay in their jobs.

One of the best ways to invest in your ROE is to invest in team-building activities that help your employees develop a deep understanding of each other. These initiatives help you "apply to glue" not only between your employees and your company mission, but also between individuals within your company. The closer your employees are to one another, the better they tend to work with each other. After all, people work best with those they know well and respect deeply.

Investing in employees in this way is a powerful way to show them that they're important. By investing in training and team-building activities for your employees, you will not only help them learn new skills, but you will also demonstrate your desire to help them grow in their careers. Take the time to distinguish your top, middle, and low performers, so you can invest in them appropriately.

5. Create deliberate attrition.

One of the most powerful ways to prevent "the rise of the mediocre" is to create deliberate attrition of your lowest-performing employees. These are the workers who take up the most management time, contribute the least amount to the success of your company, and even drive your higher-performing workers away.

Often, I coach executives on making personnel changes. For example, I once coached an executive who was spending way too much time trying to work with a direct report who just wasn't a good fit. When the executive finally made the personnel move, he said, "I can't believe I waited this long." In all my years working with executives, I've never had an executive tell me they should have waited on a personnel move. In fact, it's the opposite. They always wish they had made the move sooner.

The U.S. military offers an interesting example with its use of an "up-or-out" system of promotion. If military employees are passed over for promotion a certain number of times, they're required to leave. While this might sound extreme in the corporate world, it's a worthwhile philosophy to explore. At the very least, you should be addressing those employees who are driving high-performers out of your company, just as you should address the company policies that add unneeded bureaucracy which leads to your best people leaving.

6. Dissolve the thermal layers.

Every organization has "thermal layers" that not only block communication from traveling down the organization, but also prevent it from coming up. The best leaders and organizations figure out where those thermal layers are—and work to dissolve them. As a result, there's a free flow of information up, down, and across the organization.

A key element of your retention plan should be increasing communication flow throughout your company—not only down the organization, but also back up the organization, and across the organization. If you hear about potential issues that make things difficult for your employees, address them. Don't make it challenging for your employees to communicate with leadership, and vice versa.

For example, many companies make it difficult for employees to make decisions on their own, requiring that they get sign-offs from multiple people in leadership roles before moving forward. One of my own clients used to require several levels of approval from different managers for even the simplest expenditures. This demotivated employees and made them feel un-empowered to make simple decisions. After correcting this, morale dramatically improved, and company growth took off.

If you spent some time at the lowest level of your organization today, would you hear messages that are new to you? If so, you have blockages in communication flow. There are many strategies that can help you discover and dissolve those blockages. If you send us an email at steven@stevengaffney.com and mention this article, we'll send you a free e-book Guide to Increasing Communication Flow Up, Down, and Across Your Organization.

7. Let the crowd roar.

This is simple: People need to feel important and appreciated for the job they do. Your employees want to know that their work counts. If you don't make the time to tell your employees what you value in them, you're going to have a big problem. We often fear that praising our employees will fill them up with too many compliments—and make them leave for greener pastures. But in reality, you're more likely to retain talented employees if you openly appreciate the work they do.

We all like to be around people who make us feel good about ourselves. So, think about how you leave your employees on a daily, weekly, and monthly basis—especially your high performers. If they don't hear appreciation from you, they may not think you value them. So let the crowd roar.

As you consider all of this, here's the major takeaway: Retention is not a backburner issue. It's a critical issue that all leaders will soon be facing. If you wait to solve this problem, it will be too late to fix it without enormous cost, stress, and potential damage to your organization.

Instead, get ahead of the competition by rebooting your retention strategy today. Prioritize open, honest communication and create a culture that attracts the best performers to your organization.

You can outrun the coming tsunami—but you have to start now.

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