

MANAGING EMPLOYEE TURNOVER AND RETENTION

Turnover—the rate at which employees leave the firm—varies markedly among industries. For example, turnover in the accommodation and food services industry is chronically high, with over half the industry’s employees voluntarily leaving each year. In contrast, voluntary turnover in educational services is about 12%.²

Furthermore, such figures only reflect employees who leave voluntarily, such as for better jobs or for retirement. They do not include involuntary separations, such as those due to poor performance, disability, or corporate downsizings.³ Combining voluntary and involuntary turnover produces some astounding statistics. For example, the turnover in many food service organizations is around 100% per year. This means that (other things equal) many restaurants need to replace just about all their employees every year.

Costs of Turnover

The costs to employers of turnover are high.⁴ The accompanying HR as a Profit Center feature illustrates this.

HR AS A PROFIT CENTER

A research team analyzed the tangible and intangible costs of turnover in a call center with 31 agents and 4 supervisors.⁵ Tangible costs associated with an agent’s leaving included, for instance, the costs of recruiting, screening, interviewing, and testing applicants, as well as the cost of wages while the new agent was oriented and trained. Intangible costs included the cost of lost productivity for the new agent (who is less productive at first than his or her predecessor), the cost of rework for errors the new agent makes, and the supervisory cost for coaching the new agent. For this call center, the researchers’ mathematical model estimated the cost of an agent leaving at about \$21,551. This call center averaged 18.6 vacancies per year (about a 60% turnover rate). Therefore, the researchers estimated the total annual cost of agent turnover at \$400,853. Taking steps to cut this turnover rate in, say, half could save this firm about \$200,000 per year.

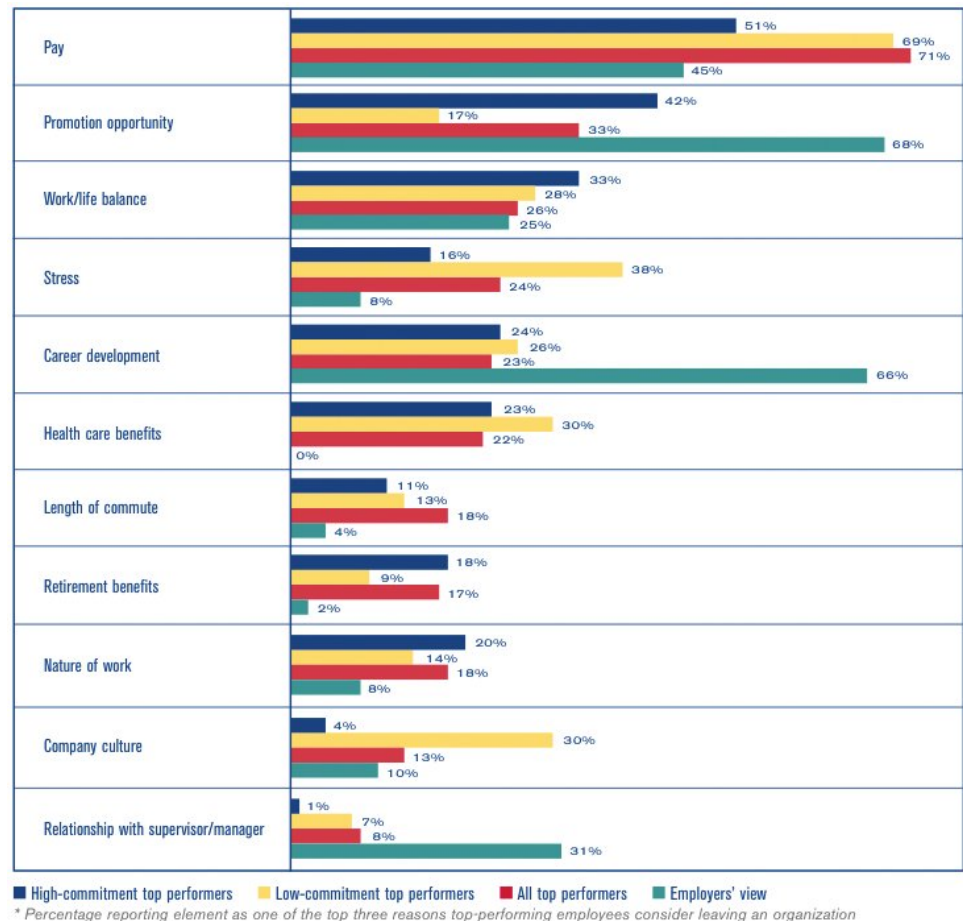
Reducing turnover requires identifying and managing the reasons for both voluntary and involuntary turnover. We address managing voluntary turnover here, and managing involuntary turnover in Chapter 14 (ethics and fair treatment).

Managing Voluntary Turnover

Managing voluntary turnover requires identifying its causes and then addressing them. Unfortunately, identifying why employees voluntarily leave is easier said than done. People who are dissatisfied with their jobs are more likely to leave, but the sources of dissatisfaction are many and varied. Figure 10-1 provides an example.⁶ The consultants collected survey data from 262 U.S. organizations having a minimum of 1,000 employees. In this survey, the five top reasons high commitment/top-performing employees gave for leaving (ranked from high to low) were pay, promotional opportunities, work–life balance, career development, and health care benefits. In contrast, employers ranked the top five reasons employees left as promotion, career development, pay, relationship with supervisor, and work–life balance. Other reasons employees voluntarily leave include unfairness, not having their voices heard, and a lack of recognition.⁷ Sometimes simply asking, “All things considered, how satisfied are you with your job?” can be as effective as soliciting employees’ attitudes toward various facets of the job (such as supervision and pay).⁸ Practical considerations affect turnover. For example, high unemployment reduces voluntary turnover, and some locales have fewer job opportunities (and thus turnover) than do others.

FIGURE 10-1 Reasons Top-Performing Employees Leave an Organization

Source: www.worldatwork.org/waw/adimLink?id=17180, accessed April 3, 2011.



Of course, turnover isn't necessarily bad. For example, losing low-performing employees isn't as problematical as losing high-performing ones. Some firms, such as the restaurant chain Applebee's, even incentivize their managers differentially, with higher incentives for reducing turnover among top-performing employees.⁹

Retention Strategies for Reducing Voluntary Turnover

In any case, given the variety of things prompting employees to leave voluntarily, what can one do to manage voluntary turnover? There is no silver bullet. The manager should understand that retaining employees is a talent management issue, and that the best retention strategies are therefore multifunctional. For example, employees who aren't interested in their jobs, sense that they're not suited for their jobs, or who feel undercompensated are more likely to leave. Employers can only address such issues by instituting effective and comprehensive talent management (recruitment, selection, training, appraisal, and compensation) practices. Put another way, turnovers (both voluntary and involuntary) often start with poor selection decisions, compounded by inadequate training, insensitive appraisals, and inequitable pay. Therefore trying to formulate a "retention strategy" without considering all of one's HR practices is generally futile.

Identifying the issues is an important first step in any retention strategy. As we'll explain in Chapter 14, effectively conducted exit interviews provide useful insights into potential turnover problem areas. Many employers routinely administer attitude surveys to monitor employees' feelings about matters such as supervision and pay. Open door policies and anonymous "hotlines" help management identify and remedy morale problems before they get out of hand. Sometimes, analyzing the situation leads to simple solutions. For example, Walmart discovered it could significantly reduce voluntary turnover by providing aggressively realistic previews about the job's demands and work hours. Then, having identified potential problems, the employer can take steps like the following to boost employee retention.

- 1 Describe a comprehensive approach to retaining employees.

A Comprehensive Approach to Retaining Employees

Experts from the consulting company Development Dimensions International (DDI) and the employment firm Robert Half International suggest building comprehensive retention programs around the following steps.

Selection. “Retention starts up front, in the selection and hiring of the right employees.”¹⁰ Selection refers not just to the worker but to choosing the right supervisors as well. For example, FedEx conducts periodic employee attitude surveys. The supervisor then meets to review the results with his or her employees to address any problems the surveys raise.

Professional growth. Inadequate career and professional development prospects prompt many employees to leave. Conversely, a well-thought-out training and career development program can provide a strong incentive for staying with the company. As one expert says, “professionals who feel their company cares about their development and progress are much more likely to stay.”¹¹ The accompanying Strategic Context feature illustrates this, and we also address career development later in the chapter.

Provide career direction. Periodically discuss with employees their career preferences and prospects at your firm, and help them lay out potential career plans. Furthermore, “don’t wait until performance reviews to remind top employees how valuable they are to your company.”¹²

Meaningful work and ownership of goals. People can’t do their jobs if they don’t know what to do or what their goals are. Therefore, an important part of retaining employees is making it clear what your expectations are regarding their performance and what their responsibilities are.

Recognition and rewards. We’ve seen that in addition to pay and benefits, employees need and appreciate recognition for a job well done.

Culture and environment. For example, companies that are very tense and “political” may prompt employees to leave, while companies that make them feel comfortable encourage them to stay.

Promote work–life balance. In one survey conducted by Robert Half and careerbuilder.com, workers identified “flexible work arrangements” and “telecommuting” as the two top benefits that would encourage them to choose one job or another.

Acknowledge achievements. When employees feel underappreciated, they’re more likely to leave. Surveys suggest that frequent recognition of accomplishments is an effective nonmonetary reward.

THE STRATEGIC CONTEXT

IBM Aims for Flexibility

Technological change is occurring so fast that IBM will soon need a workforce with dramatically different skills than its workforce has now, one capable of reacting to customers’ changing needs “on demand.” IBM could, of course, merely size up its employees periodically and let go those who don’t measure up. Instead, IBM chose to put in place an on-demand staffing strategy. This aims to ensure that its current employees get the training and coaching they need to play roles in IBM’s future.¹³ To do this, IBM budgeted \$700 million per year to identify needed skills, spot gaps for skills that are in short supply, and to train and assess its executives, managers, and rank-and-file employees. IBM’s on-demand staffing effort is having at least two big effects. It is supporting IBM’s strategy, which depends on being able to offer the fast-evolving technological services its customers need, at once, on demand. The staffing program is also improving employee retention, by minimizing the layoffs and resignations that might occur if employees’ skill sets were inconsistent with IBM’s needs.

Managing Involuntary Turnover

We discuss involuntary turnover in Chapter 14, but several points are pertinent here. Involuntary turnovers are inevitable. Even under the best conditions, the employer will have to let some employees go when jobs are restructured, or when competitive pressures necessitate reductions in force. However, dismissals due to poor performance are sometimes avoidable. As with voluntary turnover, performance-based dismissals may stem from breakdowns in the employer's talent management system. Therefore, here, too, reviewing and improving one's recruitment, selection, training, appraisal, and compensation/incentive plans can reduce dismissals by addressing the reasons for poor performance. We discuss strategies for managing involuntary turnover in Chapter 14.

Talent Management and Employee Retention

All employees are important, but as we explained earlier in this book, talent management-oriented employers put special emphasis on developing and retaining their most critical employees. For example, we saw that Accenture uses a 4×4 strategic role assessment matrix. It plots employees by performance and by value to the organization. Accenture then ties pay, development, dismissal, and other personnel decisions to each employee's position in the matrix. Compass Group identifies top performers, and then assesses them for promotability and leadership potential. Shell China appoints career stewards to meet regularly with "emerging leaders." Novartis China uses a checklist to assess the attitudes of its most mission-critical employees. The point is that taking a talent management approach to retaining employees suggests focusing augmented retention efforts on the company's most important employees.

Job Withdrawal

Unfortunately, voluntary turnover is just one way that employees withdraw. Withdrawal in general means separating oneself from one's current situation—it's a means of escape for someone who is dissatisfied or fearful. At work, job withdrawal has been defined as "actions intended to place physical or psychological distance between employees and their work environments."¹⁴

Poor attendance and voluntary turnover are two job withdrawal examples. Other types of job withdrawal can be less obvious if no less corrosive. Some examples include "taking undeserved work breaks, spending time in idle conversation and neglecting aspects of the job one is obligated to perform."¹⁵ Other employees stop "showing up" mentally ("psychological withdrawal"), perhaps daydreaming at their desks while productivity suffers.¹⁶ The employee is there, but mentally absent. In fact, the job withdrawal process tends to be incremental, often evolving from daydreaming to absences to quitting: "[W]hen an employee perceives that temporary withdrawal will not resolve his/her problems, then the employee is apt to choose a more permanent form of withdrawal (i.e., turnover, assuming that alternative work opportunities are available)."¹⁷

DEALING WITH JOB WITHDRAWAL Studies confirm the high costs of job withdrawal behavior, so understanding its causes is important.¹⁸ Because many people have experienced the desire to withdraw—to "get away" from some situation—it's perhaps not difficult to empathize with those who feel they must escape. The simplest way to think about it is in terms of pain versus pleasure. People tend to move toward situations that make them feel good, and move away from those that make them feel bad. More technically, "negative emotional states make people aware that their current situation is problematic, and this awareness motivates them to take action."¹⁹ People are repelled by situations that produce unpleasant, uncomfortable emotions, and are attracted to those that produce pleasant, comfortable ones.²⁰ The point is that the more negative and less positive the person's

mood about a situation, the more likely he or she will try to avoid or withdraw from the situation.²¹

The manager can therefore think of withdrawal-reducing strategies in terms of reducing the job's negative effects, and/or of raising its positive effects. Because potential negatives and positives are virtually limitless, addressing withdrawal problems again requires a comprehensive human resource management approach. Illustrative potential negatives include, for instance, boring jobs, poor supervision, low pay, bullying, lack of career prospects, and poor working conditions. Potential positives include job enrichment, supportive supervision, equitable pay/family-friendly benefits, disciplinary/appeals processes, career development opportunities, safe and healthy working conditions, and having high-morale colleagues.²² Interviews, surveys, and observation can help identify issues to address.

EMPLOYEE ENGAGEMENT

Poor attendance, voluntary turnover, and psychological withdrawal often also reflect diminished employee engagement. Engagement refers to being psychologically involved in, connected to, and committed to getting one's jobs done.

2 Explain why employee engagement is important, and how to foster such engagement.

Why Engagement Is Important

Employee engagement is an important topic, because many employee behaviors, including turnover, reflect the degree to which employees are “engaged.” For example, based on surveys by the Gallup organization, business units with the highest levels of employee engagement have an 83% chance of performing above the company median, while those with the lowest employee engagement have only a 17% chance of performing better than the company median.²³ A survey by consultants Watson Wyatt Worldwide concluded that companies with highly engaged employees have 26% higher revenue per employee.²⁴ The director of recruiting at the nonprofit Fair Trade USA believes boosting engagement helps to explain the firm's subsequent 10% drop in turnover. A recent Harvard Business Review article notes that when it comes to customer service, satisfied employees aren't enough. Instead, “Employees should be engaged by providing them with reasons and methods to satisfy customers and then rewarded for appropriate behavior.”²⁵ Yet studies, including one from the consulting firm TowersPerrin, concluded that only about 21% of the global workforce is engaged, while almost 40% is disengaged.²⁶

Actions That Foster Engagement

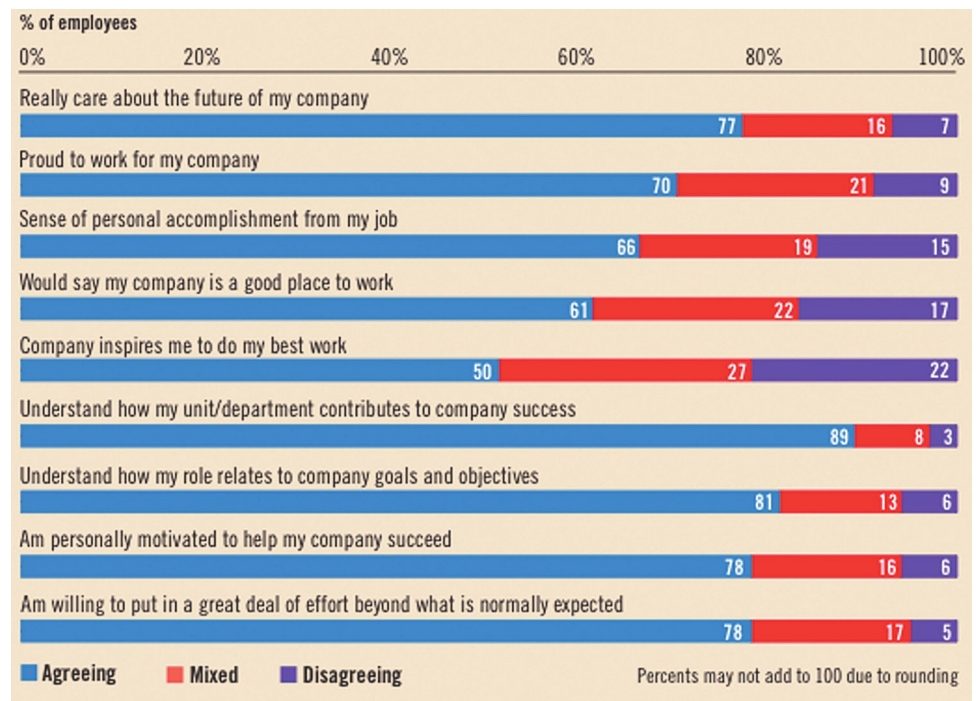
The same TowersPerrin findings illustrate the sorts of managerial actions that can foster employee engagement. Figure 10-2 summarizes these findings.²⁷ Engagement-supporting actions include making sure employees (1) understand how their departments contribute to the company's success, (2) see how their own efforts contribute to achieving the company's goals, and (3) get a sense of accomplishment from working at the firm.

Monitoring Employee Engagement

Monitoring employee engagement needn't be complicated. With about 180,000 employees worldwide, the consulting firm Accenture uses a three-part “shorthand” method they call “say, stay, and strive” to identify which employees are engaged, and why. First, Accenture assesses the employee's pride in being with the organization in terms of how positively he or she speaks about the company and recommends it to others. Second, it looks at who stays with a company, and why. Finally, it looks at “strive.” For instance, “do employees take an active role in the overall success of the organization by moving beyond just doing tasks to going above and beyond?”²⁸

FIGURE 10-2 Employer Actions that Make Employees Feel More Engaged

Source: "Working Today: Understanding What Drives Employee Engagement," www.towersperrin.com/tp/getwebcachedoc?webc=hrs/usa/2003/200309/talent_2003.pdf, accessed April 3, 2011.



CAREER MANAGEMENT

Career development plays an important role in engaging and retaining employees. For example, a survey by the human resource management consulting firm Mercer found that as of 2010, employers planned to focus both on money and on career development to retain and engage the right talent.²⁹ One observer similarly says that “rather than focusing on incentives and perks to entice and retain employees, organizations . . . will hold onto the most talented workers . . . by offering them a range of professional experiences, broad functional and geographic exposure within the organization, and more targeted leadership opportunities.”³⁰ These experiences become part of the employer’s total rewards package.

Employers, not just employees, therefore benefit from offering employees career development support. The employees, armed with better insights about their occupational strengths, should be better equipped to serve the company.³¹ Supporting your employees’ career development may also boost employee engagement and support your recruitment and retention efforts. As one expert said, “The most attractive proposition an employer can make today is that in 5 years the employee will have more knowledge and be more employable than now. That should be the acid test for any career development program.”³²

Careers Terminology

We may define career as the occupational positions a person holds over the years. Career management is a process for enabling employees to better understand and develop their career skills and interests and to use these skills and interests most effectively both within the company and after they leave the firm. Career development is the lifelong series of activities (such as workshops) that contribute

career

The occupational positions a person has had over many years.

career management

The process for enabling employees to better understand and develop their career skills and interests, and to use these skills and interests more effectively.

career development

The lifelong series of activities that contribute to a person’s career exploration, establishment, success, and fulfillment.

to a person's career exploration, establishment, success, and fulfillment. Career planning is the deliberate process through which someone becomes aware of personal skills, interests, knowledge, motivations, and other characteristics; acquires information about opportunities and choices; identifies career-related goals; and establishes action plans to attain specific goals.

We'll see that the employee's manager and employer should play roles in guiding and developing the employee's career. However, the employee must always accept full responsibility for his or her own career development and career success.

Careers Today

People once viewed careers as a sort of upward stairway from job to job, more often than not with one or at most a few firms. Today, recessions, mergers, outsourcing, consolidations, and more or less endless downsizings have changed the rules. Many people do still move up from job to job. But more often employees find themselves having to reinvent themselves. For example, the sales rep, laid off by a publishing firm that's just merged, may reinvent her career as an account executive at a media-oriented advertising firm.³³

Careers today differ in other ways from a few years ago. With more women pursuing professional and managerial careers, families must balance the challenges associated with dual career pressures. At the same time, what people want from their careers seems to be changing. Baby boomers—those retiring in the next few years—tended to be job- and employer-focused. People entering the job market now often value work arrangements that provide more opportunities for balanced work–family lives.

Psychological Contract

One implication is that what employers and employees expect from each other is changing. What the employer and employee expect of each other is part of what psychologists call a psychological contract. This is “an unwritten agreement that exists between employers and employees.”³⁴ The psychological contract identifies each party's mutual expectations. For example, the unstated agreement is that management will treat employees fairly and provide satisfactory work conditions, hopefully in a long-term relationship. Employees are expected to respond “by demonstrating a good attitude, following directions, and showing loyalty to the organization.”³⁵

But with today's tumultuous labor markets, neither the employer nor the employee can count on long term commitments from each other. That fact changes the terms of the psychological contract, and makes career management even more critical for the employee.

The Employee's Role in Career Management

The employer and manager have roles in guiding employees' careers, but particularly in today's environment, no employee should ever abandon this task to others. For the employee, career planning means matching individual strengths and weaknesses with occupational opportunities and threats. In other words, the person wants to pursue occupations, jobs, and a career that capitalize on his or her interests, aptitudes, values, and skills. He or she also wants to choose occupations, jobs, and a career that make sense in terms of projected future demand for various types of occupations. The consequences of a bad choice (or of no choice) are too severe to leave to others. There is a wealth of sources to turn to.

As one example, career-counseling expert John Holland says that personality (including values, motives, and needs) is one career choice determinant. For example, a person with a strong social orientation might be attracted to careers that entail interpersonal rather than intellectual or physical activities and to occupations such as social work. Holland found six basic personality types or orientations. Individuals can use his Self-Directed Search (SDS) test (available online at www.self-directed-search.com) to assess their occupational orientations and preferred occupations.

3 Discuss what employers and supervisors can do to support employees' career development needs.

The Employer's Role in Career Management

The employer's career development tasks depend partly on how long the employee has been with the firm. For example, before hiring, realistic job interviews can help prospective employees more accurately gauge whether the job is a good fit with the candidate's skills and interests.

Especially for recent college graduates, the first job can be crucial for building confidence and a more realistic picture of what he or she can and cannot do: Providing challenging first jobs (rather than relegating new employees to "jobs where they can't do any harm") and having an experienced mentor who can help the person learn the ropes are important. Some refer to this as preventing reality shock, a phenomenon that occurs when a new employee's high expectations and enthusiasm confront the reality of a boring, unchallenging job.

After the person has been on the job for a while, new employer career-management roles arise. Career-oriented appraisals—in which the manager is trained not just to appraise the employee but also to match the person's strengths and weaknesses with a feasible career path and required development work—is one important step. Similarly, providing periodic job rotation can help the person develop a more realistic picture of what he or she is (and is not) good at, and thus the sort of future career moves that might be best.

Career Management Systems

Most employers aren't inclined to provide a wide range of expensive career development options. However, career development systems needn't be complicated. Even just receiving performance feedback from supervisors, having individual development plans, and having access to training is enough for most employees. Beyond that, job postings, formal career-oriented performance appraisals, career development centers, formal counseling and mentoring with managers, and individual succession planning for high-potential employees are valuable career development tools.³⁹ Yet only about a fourth of the respondents in one survey even had individual development plans.⁴⁰

Figure 10-3 illustrates a simple employee career planning form.⁴¹

CAREER CENTERS Other systems are more comprehensive. Some employers create Web-based or offline libraries of career development materials, plus career workshops, workshops on related topics (such as time management), and individual career coaches for career guidance. First USA Bank has its "Opportunity Knocks" program. Its aim is to help employees crystallize their career goals and achieve them within the company. In addition to career development training and follow-up support, the program includes career development centers at work sites that employees use on company time. The latter contain materials such as career assessment and planning tools.⁴²

CAREER PLANNING WORKSHOPS A career planning workshop is "a planned learning event in which participants are expected to be actively involved, completing career planning exercises and inventories and participating in career skills practice sessions."⁴³ A typical workshop includes self-assessment exercises (skills, interests, values, and so on), an assessment of important occupational trends, and goal-setting and action-planning segments.

LIFELONG LEARNING BUDGETS As we explained in Chapter 8 (Training), several employers provide 401(k)-type lifelong learning accounts for their employees. Both employers and employees contribute, and the employees can tap into these to get the career-related education and development they desire.⁴⁴

PROVIDE CAREER COACHES For example, Allmerica Financial Corp. hired 20 career development coaches to assist its 850-person information technology staff. The coaches helped individual employees identify their development needs and obtain the training, professional development, and networking opportunities that they require to satisfy those needs.⁴⁵

FIGURE 10-3 Employee Career Development Plan

Source: Reprinted from www.HR.BLR.com with permission of the publisher *Business and Legal Resources, Inc.*, 141 Mill Rock Road East, Old Saybrook, CT © 2004. BLR® (Business and Legal Resources, Inc.).

Employee Career Development Plan

Employee: _____ **Position:** _____

Manager: _____ **Department:** _____

Date of Appraisal: _____

1. What is the next logical step up for this employee, and when do you think he or she will be ready for it?

Probable Next Job:	When Ready:			
	Now	6 Months	1 Year	2 Years
1. _____	☐	☐	☐	☐
2. _____	☐	☐	☐	☐
3. _____	☐	☐	☐	☐

2. What is the highest probable promotion within five years?

3. What does this employee need to prepare for promotion?

- Knowledge: _____

 Action Plan: _____

- Skill Training: _____

 Action Plan: _____

- Management Training: _____

 Action Plan: _____

Career coaches generally help employees create 1- to 5-year plans showing where their careers with the firm may lead. Then, the employer and employee base the latter's development plans on what he or she will need to move up.⁴⁶

OFFER ONLINE PROGRAMS For example, WorkforceVision from Criterion, Inc., supplies online systems that help the employer analyze an employee's training needs. Clicking on the employee's name launches his or her work history, competencies, career path, and other information. For each competency (such as leadership and customer focus), a bar chart graphically shows a "gap analysis" highlighting the person's strengths and weaknesses. The firm can then organize developmental activities around the person's needs.⁴⁷

CAREER-ORIENTED APPRAISALS In brief, if you use the performance review only to tell the employee how he or she is doing, you'll miss an opportunity to support the employee's career development. Performance appraisals also provide an

reality shock

Results of a period that may occur at the initial career entry when the new employee's high job expectations confront the reality of a boring or otherwise unattractive work situation.

networks) than do men, and more difficulty getting developmental assignments and geographic mobility opportunities. Women have to be more proactive than men just to be considered for such assignments, and employers therefore need to focus on breaking down the barriers that impede women's career progress. One study concluded that three corporate career development activities—fast-track programs, individual career counseling, and career planning workshops—were less available to women than to men.⁴⁹ Many call this combination of subtle and not-so-subtle barriers to women's progress the glass ceiling. Because developmental experiences like these are so important, "organizations that are interested in helping female managers advance should focus on breaking down barriers that interfere with women's access to developmental experiences."⁵⁰

The Manager's Role

It's hard to overstate the impact that a supervisor can have on his or her employee's career development. With little or no additional effort than realistic performance reviews and candid career advice, a competent supervisor can help the employee get on and stay on the right career track. At the other extreme, an uncaring or unsupportive supervisor may look back on years of having inhibited his or her employees' career development.

The manager can do several things to support his or her subordinates' career development needs. For example, when the subordinate first begins his or her job, make sure (through orientation and training) that he or she develops the skills required to get off to a good start. Schedule regular performance appraisals and, at these reviews, cover the extent to which the employee's current skills and performance are consistent with the person's career aspirations. Provide the employee with an informal career development plan like that in Figure 10-4. Keep subordinates informed about how they can utilize the firm's current career-related benefits, and encourage them to do so.⁵¹ And, know how to coach employees and provide mentoring assistance. Let's look at this next.

- 4 List and discuss the four steps in effectively coaching an employee.

IMPROVING COACHING SKILLS

Coaching and the closely related mentoring are key managerial skills. Coaching means educating, instructing, and training subordinates. Mentoring means advising, counseling, and guiding. Coaching focuses on teaching shorter-term job-related skills. Mentoring focuses on helping employees navigate longer-term career hazards. Supervisors have coached and mentored employees from the dawn of management (in Greek mythology, Mentor advised Odysseus's son during Odysseus' absence). But with more managers leading highly trained employees and self-managing teams, supporting, coaching, and mentoring are fast replacing formal authority and giving orders for getting things done.

Employers understand that coaching and mentoring are important. One consulting firm surveyed about 2,500 senior human resource and training and development managers to see what their training programs offered.⁵² The survey found that the top skills their firms' development programs taught were "coaching a performance problem" (72%), "communicating performance standards" (69%), "coaching a development opportunity" (69%), and "conducting a performance appraisal" (67%).

Building Your Coaching Skills

Coaching and mentoring require both analytical and interpersonal skills. They require analysis because it's futile to teach or advise someone if you don't know what the problem is. They require interpersonal skills because it's equally futile to know the problem if you can't get the person to listen or change.

Some performance situations don't require coaching. For example, if your new employee learns the first time through how to do the job, or if your employee's performance review is flawless, you won't need to do much coaching. But things rarely go so smoothly. And when they don't, you're probably going to have to coach the employee.

Coaching does not mean just telling someone what to do. We can best think of coaching in terms of a four-step process: preparation, planning, active coaching, and follow-up.⁵³ Preparation means understanding the problem, the employee, and the employee's skills. Your aim is to formulate a hypothesis about what the problem is. You'll watch the employee to see what he or she is doing, and observe the workflow and how coworkers interact with the employee. In addition to observation, you may review (as we explained in Chapter 8, Training) objective data on things like productivity, absenteeism and tardiness, accidents, grievances, waste, product quality, downtime, repairs, customer complaints, and the employee's previous performance reviews and training.

Planning the solution is next. Perhaps the most powerful way to get someone to change is to obtain his or her enthusiastic agreement on what change is required. This requires reaching agreement on the problem and on what to change. In practice, you'll then lay out a change plan in the form of steps to take, measures of success, and date to complete.

With agreement on a plan, you can start the actual coaching. Here you are, in essence, the teacher. Your toolkit will include what you learned about on-the-job training in Chapter 8 ("Explain quantity and quality requirements," "Go through the job at the normal work pace," and so on). As one writer says, "[a]n effective coach offers ideas and advice in such a way that the subordinate can hear them, respond to them, and appreciate their value."⁵⁴

Finally, bad habits sometimes reemerge. It's therefore necessary to follow-up and re-observe the person's progress periodically.

Figure 10-5 presents a self-evaluation checklist for assessing your coaching skills.

Building Your Mentoring Skills

Mentoring traditionally means having experienced senior people advising, counseling, and guiding employees' longer-term career development. An employee who agonizes over which career to pursue or how to navigate office politics might need mentoring.

Mentoring may be formal or informal. Informally, mid- and senior-level managers may voluntarily help less-experienced employees—for instance, by giving them career advice and helping them to navigate office politics. Many employers also have formal mentoring programs. For instance, the employer may pair protégés with potential mentors, and provide training to help mentor and protégé better understand their respective responsibilities. Either formal or informal, studies show that having a mentor give career-related guidance and act as a sounding board can significantly enhance one's career satisfaction and success.⁵⁵

MENTORING CAVEATS For the supervisor, mentoring is both valuable and dangerous. It can be valuable insofar as it allows you to influence, in a positive way, the careers and lives of your less experienced subordinates and colleagues. The danger lies on the other side of that same coin. Coaching focuses on daily tasks that you can easily re-learn, so coaching's downside is usually limited. Mentoring focuses on relatively hard-to-reverse longer-term issues, and often touches on the person's psychology (motives, needs, aptitudes, and how one gets along with others, for instance). Because the supervisor is usually not a psychologist or trained career advisor, he or she must be extra cautious in the mentoring advice he or she gives.

THE EFFECTIVE MENTOR Research on what supervisors can do to be better mentors reveals few surprises. Effective mentors set high standards, are willing to invest the time and effort the mentoring relationship requires, and actively steer protégés into important projects, teams, and jobs.⁵⁶ Effective mentoring requires trust, and the level of trust reflects the mentor's professional competence, consistency, ability to communicate, and readiness to share control.⁵⁷

- **Learning Management:** Learning paths and courses can be established for desired future positions;
- **Performance Management:** Performance reviews can identify consistent high performers and top talent in the organization; and
- **Recruiting & Hiring:** Job profiles can be shared with Succession Planning; External candidates can be tagged as successors.⁶⁶

5 List the main decisions employers should address in reaching promotion decisions.

MAKING PROMOTION DECISIONS

Career planning and mentoring often precede promotion decisions. Most people crave promotions, which usually mean more pay, responsibility, and (often) job satisfaction. For employers, promotions can provide opportunities to reward exceptional performance, and to fill open positions with tested and loyal employees. Yet the promotion process isn't always a positive experience. Unfairness, arbitrariness, or secrecy can diminish the effectiveness of the process. Furthermore, with more employers downsizing, some "promotions" take the form of more challenging but not necessarily higher-ranked or better-paid jobs. Several decisions, therefore, loom large in any firm's promotion process.

Decision 1: Is Seniority or Competence the Rule?

Probably the most important decision is whether to base promotion on seniority or competence, or some combination of the two.

Today's focus on competitiveness favors competence. However, a company's ability to use competence as the criterion depends on several things. Union agreements sometimes contain clauses that emphasize seniority. Civil service regulations that stress seniority rather than competence often govern promotions in many public-sector organizations.

Decision 2: How Should We Measure Competence?

If the firm opts for competence, how should it define and measure competence? The question highlights an important managerial adage called the "Peter Principle," after its founder. In brief, the Peter Principle says that companies often promote competent employees up to their "level of incompetence," where they then sit, sometimes underperforming for years. The point is that defining and measuring past performance is relatively straightforward. But promotions should require something more. You also need a valid procedure for predicting the candidate's future performance.

For better or worse, most employers use prior performance as a guide, and assume that (based on exemplary prior performance) the person will do well on the new job. This is the simplest procedure. Many others use tests or assessment centers to evaluate promotable employees and to identify those with executive potential.

For example, given the public safety issues involved, police departments and the military tend to take a relatively systematic approach when evaluating candidates for promotion to command positions. For the police, traditional promotional reviews include a written knowledge test, an assessment center, credit for seniority, and a score based on recent performance appraisal ratings. Others include a personnel records review. This includes evaluation of job-related influences such as supervisory-related education and experience, ratings from multiple sources, and systematic evaluation of behavioral evidence.⁶⁷

THE 9-BOX ASSESSMENT In assessing candidates for promotions, it's not just current performance but performance potential that's important. For example, some high-performing candidates may already be at their limit and have no potential for future growth. Some high potential candidates may be performing poorly but be

salvageable. That idea is at the heart of the 9-box matrix approach to assessing current employees' promotional prospects.⁶⁸ The 9-box matrix displays three levels of current job performance (exceptional, fully performing, not yet fully performing) across the top. It also shows three levels of likely potential (eligible for promotion, room for growth in current position, not likely to grow beyond current position) down the side. This 3×3 design results in 9 possible combinations of current job performance and likely potential. For example, an employee may be eligible for promotion and exceptional in his or her current performance. He or she is therefore ready for promotion. As another example, an employee may have room to grow in his or her current position, but not fully performing yet. Here you would want to identify the reasons for the underperformance and improve the employee's skills.

Decision 3: Is the Process Formal or Informal?

Many firms have informal promotion processes. They may or may not post open positions, and key managers may use their own "unpublished" criteria to make decisions. Here employees may (reasonably) conclude that factors like "who you know" are more important than performance, and that working hard to get ahead—at least in this firm—is futile.

Other employers set formal, published promotion policies and procedures. Employees receive a formal promotion policy describing the criteria by which the firm awards promotions. A job posting policy states the firm will post open positions and their requirements, and circulate these to all employees. As explained in Chapter 5 (Recruiting), many employers also maintain employee qualification databanks and use replacement charts and computerized employee information systems.

Decision 4: Vertical, Horizontal, or Other?

Promotions aren't necessarily upwards. For example, how do you motivate employees with the prospect of promotion when your firm is downsizing? And how do you provide promotional opportunities for those, like engineers, who may have little or no interest in managerial roles?

Several options are available. Some firms, such as the exploration division of British Petroleum (BP), create two parallel career paths, one for managers and another for "individual contributors" such as high-performing engineers. At BP, individual contributors can move up to nonsupervisory but senior positions, such as "senior engineer." These jobs have most of the financial rewards attached to management-track positions at that level.

Another option is to move the person horizontally. For instance, move a production employee to human resources, to develop his or her skills and to test and challenge his or her aptitudes. And, in a sense, "promotions" are possible even when leaving the person in the same job. For example, you can usually enrich the job and provide training to enhance the opportunity for assuming more responsibility.

Practical Considerations

In any case, there are practical steps to take in formulating promotion policies.⁶⁹ Establish eligibility requirements, for instance, in terms of minimum tenure and performance ratings. Require managers to review the job description, and revise if necessary. Vigorously review all candidates' performance and history, including those now in the firm. Preferably hire only those who meet the requirements.

Sources of Bias in Promotion Decisions

Women and people of color still experience relatively less career progress in organizations, and bias and more subtle barriers are often the cause. Yet this is not necessarily the result of decision makers' racist sentiments. Instead, secondary factors—such as having few people of color employed in the hiring department—may be the cause. In any case, the bottom line seems to be that whether it's bias or some other reason, barriers still exist. Employers and supervisors need to identify and abolish them.

Similarly, women still don't make it to the top of the career ladder in numbers proportionate to their numbers in U.S. industry. Women constitute more than

40% of the workforce, but hold less than 2% of top management positions. Blatant or subtle discrimination probably accounts for much of this. Some hiring managers erroneously believe that “women belong at home and are not committed to careers.” The “old-boy network” of informal (mostly male) friendships forged over lunch, at social events, or at club meetings is still a problem. More women than men must also make the “career versus family” decision, since the responsibilities of raising children still fall disproportionately on women.

Similarly, a lack of female mentors makes it harder for women to find the role models and supporters they need to help guide their careers. Special networking and mentoring opportunities can reduce some of these problems, as can more flexible employment policies. For example, when the accounting firm Deloitte & Touche noticed it was losing good female auditors, it instituted a new flexible/reduced work schedule. This enabled many working mothers who might otherwise have left to stay with the firm.⁷⁰

Promotions and the Law

In general, the employer’s promotion processes must comply with all the same antidiscrimination laws as do procedures for recruiting and selecting employees or any other HR actions. But beyond that general caveat, there are several specific things to keep in mind regarding promotion decisions.

One concerns retaliation. Most federal and state employment laws contain anti-retaliation provisions. For example, one U.S. Appeals Court allowed a claim of retaliation to proceed when a female employee provided evidence that her employer turned her down for promotion because a supervisor she had previously accused of sexual harassment made comments that persuaded her current supervisor not to promote her.⁷¹ The evidence confirmed that, in a meeting at which supervisors reviewed the person’s performance, the former supervisor (and object of the sexual harassment accusation) made comments regarding the employee’s “ability to work effectively with others.”

A second concerns using inconsistent, unsystematic processes to decide who to promote. For example, one employer turned down a 61-year-old applicant for a promotion because of his interview performance; the person who interviewed him said he did not “get a real feeling of confidence” from the candidate.⁷² In this case, “the court made it clear that while subjective reasons can justify adverse employment decisions, an employer must articulate any clear and reasonably specific factual bases upon which it based its decision.” In other words, you should be able to provide objective evidence supporting your subjective assessment for promotion.

Managing Transfers

A transfer is a move from one job to another, usually with no change in salary or grade. Employers may transfer a worker to vacate a position where he or she is no longer needed, to fill one where he or she is needed, or more generally to find a better fit for the employee within the firm. Many firms today boost productivity by consolidating positions. Transfers are a way to give displaced employees a chance for another assignment or, perhaps, some personal growth. Employees seek transfers for many reasons, including personal enrichment, more interesting jobs, greater convenience—better hours, location of work, and so on—or to jobs offering greater advancement possibilities.



Source: Shutterstock.

Employers are transferring employees less often, partly because of family resistance.

9-box matrix

In workforce planning, this displays three levels of current job performance (exceptional, fully performing, not yet fully performing) across the top, and also shows three levels of likely potential (eligible for promotion, room for growth in current position, not likely to grow beyond current position) down the side.

transfer

Reassignments to similar positions in other parts of the firm.

Managing Retirements

For many employees, years of appraisals and career planning end with retirement.

Retirement planning is a significant long-term issue for employers. In the United States, the number of 25- to 34-year-olds is growing relatively slowly, and the number of 35- to 44-year olds is declining. So, with many employees in their 50s and 60s moving toward traditional retirement age, employers face a longer-term labor shortage: “companies have been so focused on downsizing to contain costs that they largely neglected a looming threat to their competitiveness . . . a severe shortage of talented workers.”⁷³

Many have wisely chosen to fill their staffing gaps in part with current or soon-to-be retirees. Fortuitously, 78% of employees in one survey said they expect to continue working in some capacity after normal retirement age (64% said they want to do so part-time). Only about a third said they plan to continue work for financial reasons; about 43% said they just wanted to remain active.⁷⁴

The bottom line is that “retirement planning” is no longer just for helping current employees slip into retirement.⁷⁵ It can also enable the employer to retain, in some capacity, the skills and brain power of those who would normally retire and leave the firm.

WORKFORCE RETIREMENT PLANNING A reasonable first step is to conduct numerical analyses of pending retirements. This should include a demographic analysis (including a census of the company’s employees), a determination of the average retirement age for the company’s employees, and a review of how retirement is going to affect the employer’s health care and pension benefits. The employer can then determine the extent of the “retirement problem,” and take fact-based steps to address it.⁷⁶

METHODS Employers seeking to attract and/or retain retirees need to take several steps. The general idea is to institute human resource policies that encourage and support older workers. Not surprisingly, studies show that employees who are more committed and loyal to the employer are more likely to stay beyond their normal retirement age.⁷⁷ This often starts by creating a culture that honors experience. For example, the CVS pharmacy chain knows that traditional recruiting media such as help-wanted signs might not attract older workers; CVS thus works through The National Council on Aging, city agencies, and community organizations to find new employees. They also made it clear to retirees that they welcome older workers: “I’m too young to retire. [CVS] is willing to hire older people. They don’t look at your age but your experience,” said one dedicated older worker.⁷⁸ Others modify selection procedures. For example, one British bank stopped using psychometric tests, replacing them with role-playing exercises to gauge how candidates deal with customers.

The techniques employers use to keep older workers include offering them part-time positions, hiring them as consultants or temporary workers, offering them flexible work arrangements, encouraging them to work past traditional retirement age, providing training to upgrade skills, and instituting a phased retirement program. The latter lets older workers ease into retirement with gradually reduced work schedules.⁷⁹