

Employee Retention & Engagement

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HRM 611

Lecture 9



Chapter

10

LEARNING OUTCOMES

1. Describe a comprehensive approach to retaining employees.
2. Explain why employee engagement is important, and how to foster such engagement.
3. Discuss what employers and supervisors can do to support employees' career development needs.
4. List and discuss the four steps in effectively coaching an employee.
5. List the main decisions employers should address in reaching promotion decisions.
6. Explain the factors you would consider when dismissing an employee.

Introduction

Employee turnover – Is the rate at which employees leave a company – It varies greatly across industries. Some sectors, like hotels and food services, experience extremely high turnover rates, with nearly half of employees leaving voluntarily each year. In contrast, industries such as education have much lower turnover rates, around 12%.

Understanding Turnover Causes:

- Identify key reasons for employee departure (e.g., pay, career growth, work-life balance)
- Consider less obvious factors (e.g., unfair treatment, lack of recognition)
- Analyze external influences (e.g., unemployment rates)

Building an Employee Retention Program

1. Identify the Problem and Issues:

Track employee turnover, focusing on high performers and potential future leaders. Conduct exit interviews and employee attitude surveys to understand reasons for leaving.

Implement open-door policies and anonymous feedback mechanisms to identify and address morale issues early.

Example: Walmart reduced turnover by providing realistic job previews to set expectations.

Building an Employee Retention Program

2. Competitive Compensation:

Offer competitive pay and consider salary increases to retain valuable employees.

3. Selection and Hiring:

Select well-matched candidates for the job and company culture.

Choose and monitor supervisors to ensure positive employee relationships.

Example: FedEx uses employee surveys to gauge supervisor performance.

Building an Employee Retention Program

4. Professional Growth Opportunities:

Provide training and development programs to help employees advance their careers. Regularly discuss career paths and development opportunities with employees.

5. Clear Expectations and Recognition:

Establish clear performance expectations for employees. Recognize and reward employees for their achievements.

6. Positive Work Culture and Environment:

Foster a positive, collaborative, and respectful work environment. Promote work-life balance with flexible work arrangements when possible.

Building an Employee Retention Program

7. High-Performance Work Systems:

Implement practices that empower employees and provide opportunities for problem-solving and decision-making.

Invest in employee development through promotions, competitive pay, and benefits.

8. Utilize Data and Analytics:

Track employee data and use analytics to predict flight risk and identify potential turnover issues.

Examples: Nationwide Mutual provides turnover data to managers. Alliant Techsystems uses analytics to build employee "flight-risk" models.

IBM Retention Program

Introduction

IBM recognized the impending challenge posed by rapidly evolving technology on its workforce composition. The company foresaw a skills gap emerging between the current employee capabilities and the demands of the future business environment.

Problem

The traditional approach of periodic workforce evaluation and subsequent layoffs was deemed insufficient to address the dynamic nature of the technological landscape. IBM realized that retaining and upskilling its existing talent pool was crucial for its long-term success.



IBM Retention Program

Solution

To bridge the skill gap and ensure a future-ready workforce, IBM implemented a proactive on-demand staffing strategy. This involved a substantial investment of \$700 million annually to:

Identify skill needs: Pinpoint the specific skills and competencies required for future roles.

Assess skill gaps: Determine the discrepancies between current employee capabilities and desired skill sets.

Invest in training and development: Provide targeted training programs to equip employees with necessary skills.

Performance evaluation and coaching: Continuously monitor employee performance and provide coaching to enhance skill development.



IBM Retention Program

Results

IBM's on-demand staffing strategy yielded several positive outcomes:

Strategic Alignment: The initiative ensured that the workforce's capabilities were aligned with the company's strategic goals.

Enhanced Agility: IBM became more responsive to the rapidly changing technological landscape.

Improved Employee Retention: By investing in employee development and providing clear career paths, IBM reduced turnover rates.

Customer Satisfaction: The strategy enabled IBM to deliver innovative and customized technological solutions to its customers.



Talent Management

Talent management is a strategic approach to identifying, developing, engaging, retaining, and optimizing the performance of employees who are critical to an organization's success. It involves a holistic view of the employee lifecycle, from recruitment to retirement.

Focus on retaining key employees:

- Identifying employees with high potential and critical skills.
- Understanding their career aspirations and motivations.
- Implementing strategies to meet their needs and keep them engaged.

Talent Management

Utilizes tools like performance matrices and career development programs:

Performance matrices: These tools assess employee performance against specific criteria, helping identify top performers and areas for improvement.

Career development programs: Offer opportunities for employees to enhance their skills, knowledge, and abilities, leading to career growth and job satisfaction.

Aetna Talent Management Program

Introduction

Aetna, a multinational healthcare company, faced significant financial challenges at the turn of the millennium.

Despite a long history, the company's diversified business strategy was leading to losses exceeding \$1 million per day.

Problem

Aetna was on the brink of bankruptcy due to poor financial performance.

The company's diversified business model was not sustainable.

Aetna Talent Management Program

Solution

- A strategic decision was made to downsize and focus solely on health insurance and employee benefits.
- A company-wide initiative to gather employee input on organizational values was launched.
- An annual 70-question climate survey was implemented to assess employee engagement.
- A \$50 million automated system, Talent Manager, was developed to track employee performance, skills, and career paths.
- A focus on succession planning was established to identify and develop top talent.



Aetna Talent Management Program

Results

- A dramatic turnaround from a \$2.5 billion annual loss to a \$1.7 billion profit in six years.
- Market valuation increased from \$3.3 billion to \$29 billion in the same period.
- Employee engagement levels improved significantly, as indicated by positive responses to the climate survey.
- Employee retention rate stabilized at 90% annually.



Job withdrawal

Job withdrawal refers to a range of behaviors employees exhibit when they become dissatisfied with their jobs. It's not always as explicit as quitting.

Encompasses various behaviors beyond quitting:

Absenteeism: Frequent or excessive absences from work.

Decreased productivity: Lower output or quality of work.

Increased errors: More mistakes or lapses in judgment.

Negative attitudes: Expressing dissatisfaction or cynicism about the job or organization.

Turnover intentions: Considering leaving the company.

Reasons for Job withdrawal

Stems from negative work experiences:

- Dissatisfaction with job roles, responsibilities, or workload.
- Conflicts with colleagues or supervisors.
- Lack of recognition or rewards.
- Unfair treatment or discrimination.
- Work-life imbalance.
- Limited opportunities for growth and development.

A **retention strategy** aims to keep valuable employees satisfied and committed to the organization. It involves creating a positive work environment and addressing factors that contribute to job withdrawal.

Retention Strategy

Creating a positive work environment:

- Fostering open communication and collaboration.
- Promoting a healthy work-life balance.
- Recognizing and rewarding employee contributions.
- Providing opportunities for professional growth.
- Building a strong company culture.

Focuses on addressing factors leading to job withdrawal:

- Identifying and mitigating causes of job dissatisfaction.
- Implementing measures to improve employee engagement and morale.
- Offering support and resources to help employees cope with challenges.

Employee Engagement

Employee engagement is a psychological state reflecting an employee's involvement, dedication, and enthusiasm for their work and organization. It's more than just job satisfaction; it's a deep-rooted connection to the company's mission and values.

Importance: Highly engaged employees are more productive, innovative, and committed to the organization. They tend to have lower turnover rates, higher customer satisfaction, and contribute significantly to overall organizational success.

Challenges: Many employees are disengaged, leading to decreased productivity, increased costs due to turnover, and a negative impact on company culture.

Fostering Engagement

Clear communication: Employees should understand how their work contributes to the company's overall goals and success.

Recognition and rewards: Acknowledging and appreciating employees' efforts can boost morale and engagement.

Opportunities for growth: Providing opportunities for skill development and career advancement can increase employee satisfaction and commitment.

Fostering Engagement

Empowerment: Giving employees autonomy and decision-making power can foster a sense of ownership and responsibility.

Positive work environment: Creating a supportive and inclusive workplace culture can enhance employee well-being and engagement.

Work-life balance: Supporting employees in managing their personal and professional lives can reduce stress and improve job satisfaction.

Leadership: Strong and supportive leadership is crucial for fostering employee engagement.

Career Management

Importance of Career Development: Career growth and development are crucial for employee retention and engagement, often equally important as compensation.

Career Management Process: Includes career planning, development, and management.

Career Planning: Individual responsibility for identifying skills, interests, goals, and creating a plan to achieve them.

Career Development: Ongoing learning and skill development to advance in one's career.

Career Management

Employer's Role: Supporting employee career development through training, mentorship, and opportunities.

Changing Career Landscape: Modern careers are less linear, with more job changes and career reinventions due to economic factors and industry changes.

Work-Life Balance: Increasing importance of balancing work and personal life, especially for dual-career families.

Psychological Contract and Career Management

Psychological Contract: An unwritten agreement between employer and employee regarding expectations.

Traditionally, employers offered long-term employment and fair treatment, while employees offered loyalty and effort.

Modern economic realities have made these long-term commitments less likely.

Employee's Role in Career Management:

Self-assessment: Matching strengths and weaknesses with career opportunities.

Consider personality, interests, values, and skills.

Explore resources like the Self-Directed Search (SDS) test.

Identify Skills: Reflect on past jobs to identify transferable skills you enjoyed using.

Dream Job Exploration: Imagine your ideal job, regardless of limitations.

Psychological Contract and Career Management

Employer's Role in Career Management:

Realistic Job Interviews: Helping potential employees understand the job fit.

Challenging First Jobs: Providing opportunities for learning and development.

Assign mentors to support new hires.

Avoid "reality shock" by offering stimulating work.

Career Development Appraisals: Matching employee skills with career paths and development needs.

Job Rotation: Providing opportunities to explore different areas within the company.

Career Management Options

Basic Career Development: Performance feedback, individual development plans, and access to training are essential foundations.

Advanced Career Development: Job postings, formal career-oriented appraisals, career development centers, and mentoring can enhance career growth.

Career Development Tools: Career planning workshops, online resources, and career coaching offer structured support.

Career Management Options

Financial Support: Lifelong learning budgets provide financial assistance for career development.

Performance Appraisals: Should be used not just for evaluation but also for career planning and development.

Employee Involvement: Employees should actively participate in their career development.

Improving Coaching Skills

Coaching vs. Mentoring: Coaching focuses on short-term skills, while mentoring focuses on long-term career development.

Importance of Coaching: Coaching is increasingly crucial as workplaces become more collaborative and employee-centric.

Coaching Skills: Require both analytical and interpersonal abilities.

Coaching Process: Involves preparation, planning, active coaching, and follow-up.

Effective Coaching: Focuses on problem-solving, providing guidance, and monitoring progress.

Continuous Improvement: Regular self-evaluation is essential for refining coaching skills.

Building Mentoring Skills

Mentoring vs. Coaching: Mentoring focuses on long-term career development, while coaching is more focused on short-term job skills.

Types of Mentoring: Both formal and informal mentoring programs exist.

Benefits of Mentoring: Mentorship can significantly enhance career satisfaction and success.

Mentor Responsibilities: Effective mentors set high standards, invest time, and provide opportunities for protégés.

Building Mentoring Skills

Protégé Responsibilities: Protégés should actively participate in the mentoring relationship by choosing appropriate mentors, respecting their time, and clearly communicating expectations.

Gender Disparity: Women are often less likely to receive mentorship compared to men.

Mentoring as Sponsorship: Organizations are recognizing the importance of mentors who can advocate for protégés, especially women.

Improving Productivity through HRIS

Integration of Talent Management: HRIS systems can integrate performance appraisals, career development, and succession planning.

Benefits of Integration: Provides a comprehensive view of employee data, improves decision-making, and streamlines processes.

Talent Management Software: Several tools offer integrated solutions.

Data-Driven Decision Making: HRIS systems provide data for analyzing employee performance, identifying talent gaps, and developing succession plans.

Enhanced Efficiency: Automation of tasks like performance reviews and career planning saves time and resources.

Promotion Decisions

Promotion Importance: Promotions are sought after for increased pay, responsibility, and job satisfaction. For employers, promotions reward performance and fill vacancies.

Seniority vs. Competence: Traditionally, seniority was key, but now competence is more valued. However, seniority can still be relevant in certain contexts.

Measuring Competence: Defining and measuring competence is crucial. The Peter Principle highlights the risk of promoting someone beyond their abilities.

Promotion Decisions

Promotion Process: Can be formal (clear policies, job postings, evaluations) or informal (based on personal relationships and subjective decisions).

Promotion Types: Include vertical (upward movement), horizontal (lateral transfer), and job enrichment (expanded responsibilities).

Practical Considerations: Establishing eligibility criteria, reviewing job descriptions, and thoroughly evaluating candidates are essential steps in the promotion process.

Sources of Bias in Promotion Decisions

Gender Bias: Women are underrepresented in leadership positions despite making up a significant portion of the workforce.

Discrimination: Blatant or subtle discrimination can hinder women's career advancement.

Work-Life Balance: Women often face greater challenges in balancing career and family responsibilities, which can impact their promotion prospects.

Sources of Bias in Promotion Decisions

Lack of Mentorship: Fewer female mentors can limit women's access to career guidance and support.

Legal Implications: Employers must adhere to anti-discrimination laws and provide clear, objective reasons for promotion decisions.

Importance of Documentation: Maintaining clear documentation of promotion criteria and decisions is crucial to avoid legal challenges.

Managing Transfers and Retirements

Transfers: Involve moving employees between positions without changing salary or grade. Reasons include organizational needs, employee preferences, and personal circumstances.

Retirements: The aging workforce presents challenges and opportunities for employers. Retirement planning involves analyzing workforce demographics and implementing strategies to retain valuable skills.

Strategies for Managing Transfers and Retirements: Include offering flexible work arrangements, phased retirement programs, and targeted recruitment efforts to attract and retain older workers

Managing Dismissals

Involuntary Termination: Dismissal is the involuntary end of an employment relationship.

Prevention: Effective hiring practices, clear job descriptions, and performance management can reduce the need for dismissals.

Termination at Will: Traditionally, employers could terminate employees without reason, but legal exceptions have emerged.

Exceptions to Termination at Will: Statutory protections (like anti-discrimination laws), common law exceptions (implied contracts), and public policy exceptions limit an employer's right to terminate.

Managing Dismissals

Grounds for Dismissal: Include unsatisfactory performance, misconduct, lack of qualifications, and job elimination.

Insubordination: A specific form of misconduct that can lead to dismissal.

Fair Dismissal: Clear communication and explanations during the dismissal process can mitigate negative consequences.

Avoiding Wrongful Discharge Suits

Fear of Lawsuits: Employers often hesitate to terminate employees, even for misconduct, due to the fear of legal repercussions.

Wrongful Discharge: This occurs when termination violates employment contracts, company policies, or legal protections.

Preventive Measures: Implementing clear policies, documenting performance issues, and treating employees fairly can reduce the risk of wrongful discharge lawsuits.

Avoiding Wrongful Discharge Suits

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Termination Process: Following specific procedures, including warnings, documentation, and consistent application of rules, is crucial.

Supervisor Liability: Managers can be held personally liable for wrongful termination, emphasizing the importance of following company guidelines.

Severance Pay: Offering severance pay can mitigate the impact of termination on employees and reduce the likelihood of legal action.

Managing the Exit Process

Termination Interview: A difficult but necessary process requiring careful planning and execution.

Outplacement Counseling: Provides support and career guidance to terminated employees.

Exit Interviews: Gather feedback from departing employees to identify areas for improvement.

Layoffs and Plant Closings

Layoffs: Temporary or permanent job reductions due to economic reasons.

WARN Act: Requires employers to give 60 days' notice before mass layoffs or plant closures.

Layoff Process: Involves strategic planning, employee assessment, and communication.

Layoff Impacts: Negative psychological and physical effects on both laid-off employees and remaining staff.

Layoff Alternatives: Employers may consider reduced hours, mandatory vacations, or productivity bonuses to avoid layoffs.

Employee Assistance Programs: Often discontinued after layoffs, but some companies extend these benefits to support former employees.

CHAPTER SUMMARY

Employee Retention

Comprehensive approach: Implement strategies such as competitive compensation, flexible work arrangements, career development opportunities, and a positive work environment to retain top talent.

Employee engagement: Foster a sense of belonging, purpose, and connection through open communication, employee recognition, and opportunities for growth.

Importance: Engaged employees are more productive, innovative, and committed to the organization.

Fostering engagement: Create a positive work culture, provide opportunities for employee input, and offer meaningful work.

Measurement: Use employee surveys and feedback to assess engagement levels and identify areas for improvement.

CHAPTER SUMMARY

Employee Career Development

Employer and supervisor roles: Provide clear career paths, mentorship, and training opportunities.

Employee responsibilities: Encourage proactive career planning and goal setting.

Performance management: Link performance evaluations to career development opportunities.

Effective Coaching

Establish rapport: Build trust and open communication with the employee.

Define goals: Clearly outline the coaching objectives and desired outcomes.

Provide feedback: Offer constructive criticism and positive reinforcement.

Follow-up: Monitor progress and provide ongoing support.

CHAPTER SUMMARY

Promotion Decisions

Criteria: Consider factors such as performance, potential, seniority, and job requirements.

Fairness: Ensure a transparent and equitable promotion process.

Succession planning: Identify and develop high-potential employees for future leadership roles.

Dismissal Management

Grounds for dismissal: Unsatisfactory performance, misconduct, or job redundancy.

Legal compliance: Adhere to employment laws and regulations.

Fair treatment: Conduct termination procedures with empathy and respect.

Documentation: Maintain thorough records of performance issues and disciplinary actions.



Thank You