

Small Business Assistance & Advisory Service



Retention Guidelines

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Why is Employee Retention Important?

There are many reasons why employee retention is critical for a successful business. Retention of skilled employees is a significant issue for organisations because high turnover rates can result in loss of knowledge, skills, productivity and profits. In addition, there is even greater pressure on small businesses, which sometimes compete for talent against larger organisations.

High turnover can cost the business time, effort and money, and it can become costly. The cost of replacing an employee is approximately 1.5 times their annual salary.

Several elements can help encourage employees to stay with an organisation longer. Companies that understand what things their employees consider priorities can help shape the organisation's policies and culture to support the retention of employees. Today the emerging workforce is developing different attitudes about work and how it is designed to fit into their lives. Today's employees may place a priority on;

- Family time
- Sense of community
- Autonomy in their roles
- Flexibility in their work

Successful organisations make it a strategic initiative to understand what their employees want and require in their workplace to retain and engage their employees more effectively.

- Retaining employees involves several processes;
- Understanding why your employees are leaving
- Developing strategies to get them to stay

Common reasons Employees Leave Their job.

Understanding why people leave their jobs can help organisations improve retention rates.

Many managers believe that most people leave their jobs for an opportunity that pays more, but the real reasons are often different.

Even when an exit interview is conducted, some employees will not be forthcoming about the real reasons for their departure, and this may be, so they stay in good standing with their company in case they require a reference.

Understanding why employees leave can help organisations identify the problems and how to address them. Employees leave for many different reasons. Sometimes it could be a career change, time out to raise a family, care for relatives, or retirement. These reasons are called 'pull' factors that are outside the organisation's control.

The 'push' factors are those that the organisation can control. It could be; an unfavourable organisational culture where employees are not valued, dissatisfaction with the manager's role, bullying etc. The 'push' factors play a more significant part in why employees leave an organisation than most employers think.

Good management is critical for retention. There is even greater importance on front-line managers and how their behaviour relates directly to employee retention, engagement, job satisfaction and performance.

There are many reasons why employees leave a job, including:

- A poor relationship between their direct manager
- Lack of development opportunities
- Lack of appreciation
- Lack of support
- Lack of meaningful and challenging work
- Inadequate compensation

It is essential to realise that every employee is different. Their reasons for staying or leaving will differ and may even change over time.

Investigating Why Employees Leave

One way to obtain information on why people leave is to conduct exit interviews. These should be undertaken as soon as the employee gives in their notice. Ideally, the interview should not be undertaken by the manager. Often HR can conduct the interviews, or an outsourced provider of HR services can complete the interviews with the employees. This can be difficult for smaller businesses as there are limited staff members. Still, it is essential to be aware that the person conducting the exit interviews does so professionally and confidentially. Confidentiality should be assured, and the purpose of the discussion clearly explained.

Conducting Exit Interviews

Although some employees may not reveal the real reason they are leaving their roles, it is still worth asking questions to all employees during the exit interview process. Some companies can use third parties to conduct exit interviews. They can provide better information as the employee is more comfortable answering questions.

Data from the exit interview can highlight issues such as:

- **Workload** – too much, need for additional resources, poorly defined job tasks and responsibilities.
- **Poor management** – poor direction, favouritism, bullying, inconsistent feedback; it is important to note that many surveys have illustrated that the most common reason an employee leaves an organisation is to leave their manager!
- **Health & safety** – stress or poor working conditions
- **Lack of training** and development or progression opportunities
- **Rate of pay and benefits** – below that of a similar role in another organisation

Tip – it is helpful to ask the employee for their suggestions on what the organisation can do to improve and retain staff. Their feedback can be relevant and insightful to their team or the overall business.

Using data gathered from exit interviews to implement improvements and change is essential. Conducting exit interviews and not using the information collected for action changes or modifications adds to employee resentment and disengagement. If there are actionable items that are viable to implement for retention improvements, then the organisation should ideally do this.

Employment Engagement Surveys

Engagement surveys can be conducted as often as an organisation wishes. Most commonly, they are performed every two years with large organisations and yearly for smaller ones. There are standard questions presented in engagement surveys to measure the engagement and obtain information from the employees on their views of the organisation.

Questions to measure employee engagement

- Do you know what is expected of you at work?
- Do you have the equipment and resources to do your work effectively?
- At work, do you have the opportunity to do what you do best every day?
- Have you received recognition or praise for a job well done over the last month?
- Does your manager seem to care about you as a person?
- Does your manager encourage your development?
- Are your co-workers committed to doing quality work?
- Do you have a best friend at work?
- Over the last year, have you had opportunities at work to learn and grow?

For small businesses, a simple questionnaire/survey can help collect information and data about employees' views and engagement levels for their organisation.

Tip: if the survey is truly anonymous, the answers are more likely to be accurate!

How You Can Influence Retention

Eight (8) key factors affect employee retention; you can use the information presented below as a checklist and a way to measure your organisation's performance.

1. Leadership and Management

Leadership

There is a distinction between leadership and management. Leadership involves setting the vision and direction to move forward. Management involves managing and overseeing people and resources to make the vision a reality. Excellent leadership skills can increase retention and productivity as people are more motivated and happier to give more to their roles.

A good leader may:

- Ensure good communication between the team and all employees to feel valued.
- Involve others in the decision-making process to ensure what everyone is required and expected to do in their roles

- Provide encouragement, reward and recognise good performance.

The leadership style will depend on the personality and experience of the leader, but strong interpersonal skills, good emotional intelligence and the ability to inspire trust and confidence are essential.

Management

One of the critical factors responsible for retaining staff is the manager's role. Managers must be practical and have a good working relationship with their employees.

- A successful manager requires numerous skills;
- Good organising and planning
- Good communication with staff and an ability to explain work requirements and tasks clearly
- Effective delegation
- Good interpersonal skills to act as a leader, motivator, coach and figure of authority
- Financial awareness and how to manage budgets effectively

Generally, people respond well to consistent, clear, fair, firm, understanding and flexible managers. When employees feel trusted, respected and valued by their manager, it encourages them to perform well, and they are less likely to leave their roles. This helps to retain staff and boost productivity.

It is important to note that people can be motivated by different things. The manager must also understand what gets the best out of their staff and what recognition and reward would suit the individual.

2. Induction

Once a new employee has been recruited, managers and supervisors must allocate time and resources to ensure the staff member has an effective induction. Organisations that go to the effort to advertise, interview and appoint new employees sometimes forget that induction is also an important activity.

A well-prepared induction program is critical. The reason for a structured and comprehensive induction program is that it helps new employees better settle into and become effective in their roles as efficiently as possible. New employees need to understand the organisation, the culture, the systems, the team and what is expected of them in their role. Employees who settle well in their parts tend to stay longer in their positions. As turnover can be high within the first three months of a new hire, organisations should actively invest in practical induction activities. For small businesses, a simple way to remain connected with the new employee is to have regular catch-ups and discussions with employees on how they are tracking and feeling in their new role. The induction process should ideally begin on the first day of employment and spread over several weeks or months.

The Induction checklist

An induction checklist can be helpful when a new employee commences in their role.

3. Managing Staff Performance

One of the best ways to improve retention is to have a robust culture that supports ongoing performance management and feedback.

Employees are likely to stay with the organisation when treated fairly, feel supported, and are provided with development opportunities. These are key areas that can lead to successful retention of staff.

Ongoing performance reviews or one-on-one meetings (with the manager and staff) must be held often to be effective. Regular review meetings provide opportunities for feedback, recognition, and discussion of work tasks. Other benefits of these meetings include; improving morale, and motivation, a greater understanding of work goals, and discussion of training needs and areas for improvement. Regular performance discussions should be held both formally and informally throughout the year.

Tips for managers – What your employees seek to discuss in their one-on-one meetings;

- Understanding work priorities and how they are progressing
- Formally acknowledge and celebrate success
- Discuss performance, training and career progression opportunities
- Provide regular feedback and open communication

4. Training, Development and Learning

Research has shown that training and development opportunities can improve organisational staff retention. Such activities also boost confidence, knowledge, skills, experience, performance and productivity.

5. Rewards and Benefits

Rewards

Retention can be significantly improved with reward programs and various employee benefits items. Reward systems can serve several purposes in organisations. Effective reward systems can help an organisation be more competitive, retain key employees, and reduce turnover. It can also enhance employee motivation.

Effective use of rewards can encourage employees to gain the skills necessary to help them and the organisation grow. This can also increase their desire to continue being part of the organisation.

Managers need to understand their employees' perceptions of the importance and fairness of the reward and then clearly communicate what needs to be done to receive the reward. Understanding how employees perceive and value different rewards is essential for managers to get the best out of their team. Managers also need to understand both extrinsic and intrinsic rewards.

Extrinsic rewards are external rewards tied to certain employee behaviours, skills, time, or organisational roles. Managers should understand how much value each employee places on specific extrinsic rewards. For example, a well-paid but overworked employee may value additional holiday

leave or a reduced workload of more than a few extra dollars. Examples of extrinsic motivators are money, praise, recognition, awards, and other tangible incentives.

Intrinsic rewards do not have an apparent external incentive. This means that people are not acting to get a tangible reward, be it time off or money. Instead, they act because it feels good or provides internal satisfaction. Intrinsic rewards are often more highly valued and effective over time, yet using them is a problematic managerial task. Whatever type of reward the manager chooses, the employee must see the reward as a motivator for it to be effective.

Developing an effective reward system is challenging, but the return on investment can be significant for the business.

Benefits

Benefits can play a big part in the retention of employees. The types of benefits organisations offer can be deemed by employees as an additional advantage for staying at the organisation. A benefits program must be designed and tailored to suit both the organisation and the employees to be effective.

6. Flexible Working Hours

For many employees, flexible working arrangements are a key benefit of their employment.

Most common types of flexible working:

- **Part-time**
- **Flexi time:** choosing when to work, typically there is a core period during which you work
- **Staggered hours:** different starting, break and finishing times
- **Job sharing:** one full-time job split between two workers
- **Teleworking/Working from home:** working from home if it fits the business

7. Career Development

Another reason people leave their organisations is due to a lack of advancement/career and development opportunities. By increasing the learning and development opportunities for staff, organisations will raise their skills, knowledge, motivation, morale, and loyalty and thus retain their staff.

8. Succession Planning

Succession planning is vital in managing talent within an organisation. It is a process by which employees are identified for key posts, career moves and development activities. Employees may be ready to do a job or be seen to have longer-term potential.

Performance management discussions and training need analysis to help organisations identify those who may be future managers or be able to move into different roles. Individuals identified are often provided appropriate training and development plans to ensure they are given the skills, abilities and qualifications to support their career development. Succession planning assists with

retention when employees can see where future opportunities lie ahead if they stay with the organisation.

