

Worldwide Trends in Employee Retention:

How to Keep Your Best Employees in Any Market

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Developing the 21st
century workforce™

Whether you're thriving in a rapidly expanding bull market or floundering to escape the grips of a bear market, attracting and retaining talented employees is key to long-term success.

Ongoing technological advances, a shift from commodity-based to intellect-based markets, and major fluctuations in global economies continually force organizations to adapt and adjust. Successfully responding to such change requires many things—not the least of which is a competent, competitive, and committed workforce.

But how do you create a competent, competitive, committed workforce? How do you incent your employees to maximize performance and remain engaged? And perhaps most important, how do you ensure your best employees stay?

Study Background

In a recent research study, AchieveGlobal explored why workers leave their jobs, how such attrition impacts businesses, and what can be done to minimize it.

We examined some of the most critical issues managers face when building a talent management strategy. Key questions included:

- How likely are people to leave their current positions?
- What categories of workers are most likely to leave their existing jobs?
- How is turnover impacting businesses?
- Why are employees leaving?
- What best practices do businesses use to retain their best employees?

Examining international trends, the study also explored questions such as:

- How does employee attrition differ in other parts of the world?
- What talent management practices are used to improve retention in other regions?

The result? Compelling insight into international and regional trends in talent management, with the bottom line being that employee retention involves a two-pronged approach of creating development opportunities for key employees and providing incentives that strengthen loyalty.

And while market conditions might seem to indicate that fewer opportunities mean more employees are happy to stay put, participant responses indicate that the opposite is true: A significant number of workers (23 percent in the United States) expect to leave their existing positions within a year, leaving no doubt that—without active talent retention strategies in place—attrition continues to be a significant threat.

Findings: International Trends

While workforce challenges are top of mind at many companies, research continues to imply a direct link between employee turnover and lack of effective talent management or leadership¹. It's clear that talent management is a global challenge.

Around the world, social realities such as population shifts have a direct effect on talent retention. In the Western world, for example, retiring Baby Boomers will create countless vacancies across a variety of industries. In Europe, vacancy trends are likely to increase as a result of low birth and immigration rates, making access to younger workers more difficult. In China, the single child policy has led to a deficit of skilled workers, particularly in urban areas.

These massive shifts will likely be further exacerbated by trends in education, such as the number of students graduating with specific degrees in each region, and the creation of partnerships among businesses and education systems to prepare students for the job market.

¹ See a Spring 2007 study by IBM's Institute for Business Value and Washington-based Human Capital Institute, and a 2006 study by Cindy McCauley and Michael Wakefield in the *Journal for Quality and Participation*, Volume 29, Issue 4.

Although organizations worldwide share similar challenges and views on the importance of strategic talent management, there are differences in labor markets from one region to the next. Specific market and business realities ultimately define how companies operating in those regions manage their talent.

Research Summary

Study goals:

Investigate key trends in employee retention, including:

- Why people leave their jobs
- How to effectively retain them

Key findings:

- Nearly 1/4 of the respondents indicated they were planning to leave their job in the next year
- Top reasons people leave:
 - Lack of growth and development
 - Lack of respect
 - Lack of adequate compensation

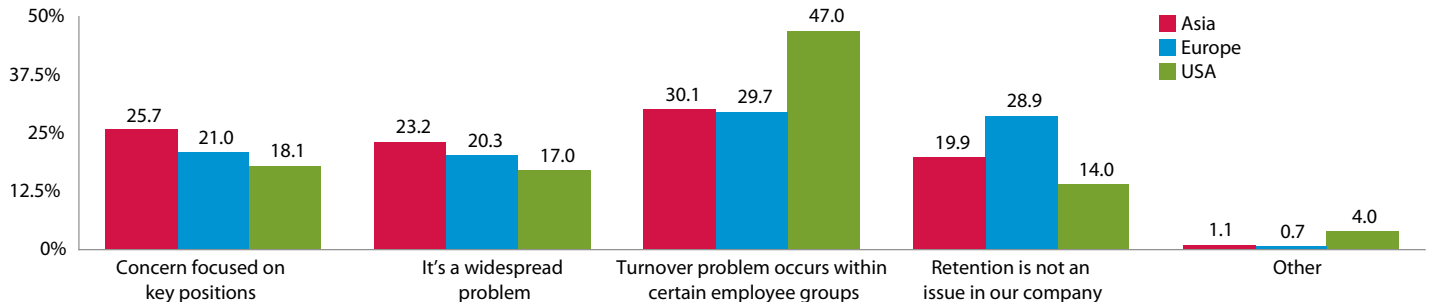
Conclusions:

- Key ways to retain employees:
 - Offer competitive compensation
 - Ensure employee recognition
 - Offer growth and development opportunities
 - Ensure a healthy work-life balance

Although not new findings, these key retention practices are not being implemented in many organizations.

Figure 1

Percent distribution of managers reporting employee retention issues within their organizations by international region



In the United States, where a shrinking economy means decreased revenues, managers are racing to fill gaps in their leadership pipelines while creating performance-driven cultures to maximize efficiency and productivity. As such, talent management programs managed by HR are designed to address rapid turnover, high attrition, and ways to fill key positions.

Managers in Germany also are challenged to provide talent management solutions for their key retiring employees in order to reduce the loss of knowledge and leadership expertise. And in Asia, accelerated market growth requires managers to develop new skills training that responds to changes in their business models. As labor markets become more competitive and employees become more mobile, they must develop strategies to stem high attrition rates while focusing on correcting “rapid hiring turnover.”

In Europe, HR functions responsible for the entire talent management process focus on rapid hiring as a result of turnover, skill gaps in key positions, and difficulty filling key positions. In the United Kingdom

in particular, many organizations face challenges in filling key positions as they seek to become more competitive.

Organizations worldwide are weighing the benefits of employee inclusion and engagement while factoring in the appeal of work-life balance. Such strategies are strengthened with advancement and compensation components that meet the needs and expectations of highly talented employees.

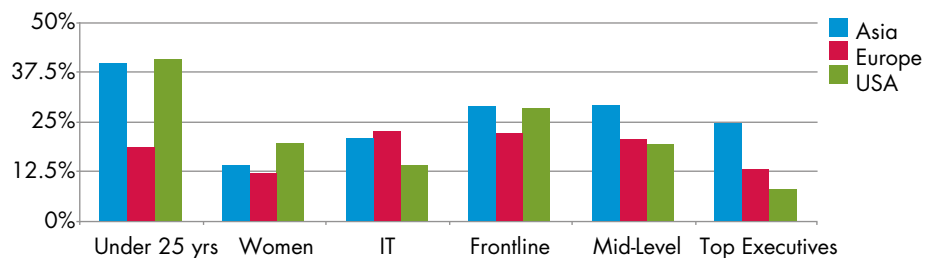
Factors Influencing Employee Mobility and Attrition: Who's Leaving and Why

Is employee retention a global business priority, or is it specific to certain functions or groups?

The findings of this study indicate that retention issues impact organizations differently from one geographic region to the next. For example, as indicated in Figure 1, U.S. organizations reported that the highest percentage of turnover occurs within specific employee groups. In Asian organizations, specifically in India, retention is an issue throughout all departments and divisions.

Figure 2

Percent of managers reporting on employee groups with the highest levels of attrition



And in Europe, specifically in the United Kingdom and France, respondents were more likely to report that retention was not an issue at all.

Further, managers in China, India, and Japan all reported experiencing the most challenges in retaining executives. Compared to other regions, Asia also reported challenges in retaining mid-level managers, particularly in the Chinese and Indian labor markets. Managers in China and Germany reported that retention is a challenge among IT employees, while in the United States, managers reported that women and minorities are more likely to have high attrition rates. And in the United States and Singapore, organizations are more likely to experience retention challenges with employees under the age of 25. See Figure 2 on Page 4 for details.

The AchieveGlobal study asked managers to identify the three factors that cause the greatest employee turnover in their organizations. The findings revealed that, internationally, employee attrition is largely a result of:

1. Insufficient compensation and benefits
2. Lack of growth and development opportunities
3. Contributions not being appreciated by management

See Figure 3 for details.

Secondary factors cited as affecting employee turnover include skills not being a good match for the position, personal factors, and unfair treatment.

The broader picture to emerge from these findings is that in Asia and the United States, Generation Y* workers and frontline managers are among the groups most likely to leave their current positions, followed closely by women and mid-level workers.

* Generation Y refers to people born between 1980-2005.

While attrition affects IT workers and frontline managers most severely in Europe, it's worth noting that the reasons are specific and can be addressed through new or updated talent management strategies.

Organizational Impact of Retention vs. Attrition

Not surprisingly, organizations that face high employee turnover often suffer negative residual effects among remaining employees. Managers everywhere agree that dysfunctional turnover (attrition among high performers) is more costly than functional turnover (attrition among poor performers) because dysfunctional turnover often leads to low employee morale, lack of knowledge transfer, and/or deteriorating product/service quality.

The effects of high employee turnover can ripple throughout many levels of an organization. As indicated in Figure 4 on Page 6, the AchieveGlobal study asked managers to identify how turnover affects their organizations. Across regions, managers noted that attrition affects critical success factors such as:

- Employee morale
- Community relations
- Knowledge transfer
- Quality of production
- Employee relationships
- Financial performance of the organization

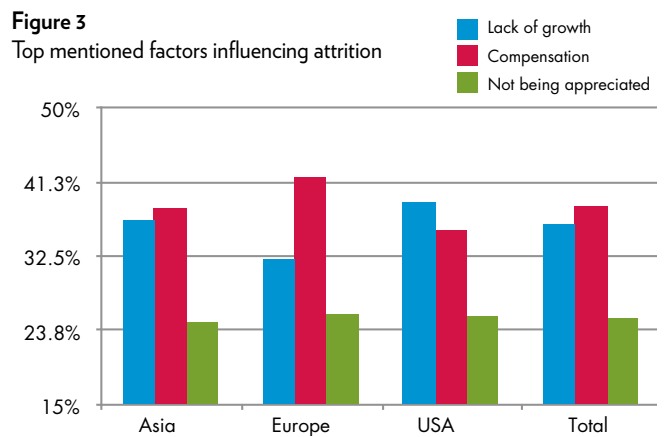
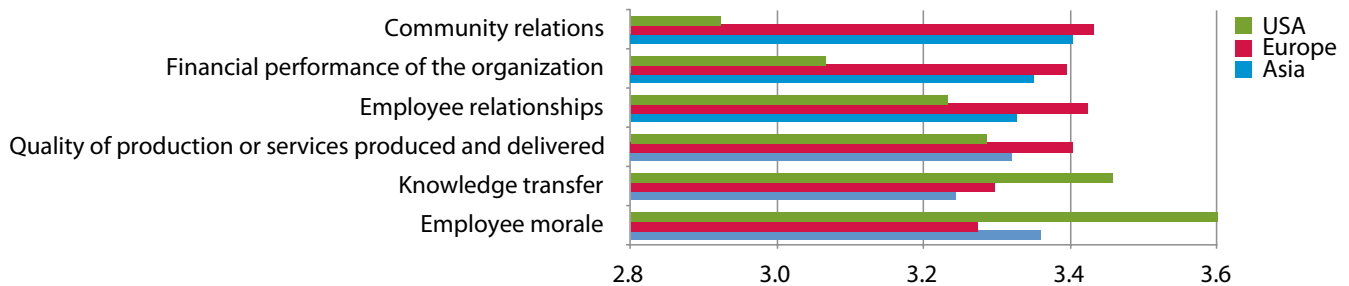


Figure 4

Average rating of Managers' agreement with the negative impact of turnover (on a 5-point scale with 1=no impact and 5=great impact)



A negative impact on any of these factors can devastate an organization. Employee morale is key to productivity and output. Community relations—or the perception of social responsibility in the marketplace—is critical to positive publicity and exposure. And knowledge transfer/management, production quality, and employee relationships all contribute to the final factor on the list: the company's financial performance.

Comparing these factors among organizations internationally, the study revealed that U.S. organizations with retention issues are more likely to face low employee morale and knowledge transfer issues than European or Asian organizations. European organizations with high employee attrition are more likely to be challenged with employee relations, while Asian organizations with high employee attrition are more likely to see deteriorating community relations.

While employee morale, community relations, and

knowledge transfer are all serious concerns relating to employee turnover, there are more tangible concerns as well. These include the costs of:

- Separation (including exit interviews, paperwork, and unemployment)
- Hiring and pre-employment
- Training
- Lost productivity

Effectively Improving Retention

Managers we talked to identified four important strategies that employers would be wise to implement in their efforts to retain valuable employees:

- I. Offer competitive salary, benefits, and incentives packages:
 - Provide compensation and benefits commensurate with position.

If you had to choose three things that every employer should do to keep valuable employees, what would those be?

“ I would choose:

1. Engaging employees,
2. Opportunities to learn, develop, and be promoted, and
3. Better compensation (not just pay)”.

- AchieveGlobal Survey Respondent

- Ensure compensation is appropriate to talent and work.
 - Provide compensation as per market value.
 - Offer competitive benefits.
2. Ensure employee recognition for a job well done:
 - Offer adequate recognition.
 - Establish individual initiative recognition programs.
 - Provide reward and recognition for performance.
 - Share strategy direction and results.
 3. Offer career development opportunities:
 - Offer appropriate opportunities for progress.
 - Make external training available.
 - Promote cross-training when appropriate.
 4. Ensure a healthy work-life balance and allow flexibility:
 - Build a healthy work environment.
 - Allow flexibility to improve work-life balance.
 - Be realistic about expectations and workload.

The study revealed similar strategies already being implemented across regions by organizations working to retain valuable employees and improve overall employee retention. These include:

- Leveraging optimal compensation and benefits packages to attract and retain talent
- Creating employee engagement plans to ensure open communication channels
- Providing a learning environment through employee training and development
- Implementing talent management technology systems to manage all aspects of the employee experience, from recruitment to retirement

An organization's market and economic conditions tend to determine relevant talent management strategies. For example, in a bear market—when organizations are minimizing expenditures and every department is engaged in cost-cutting exercises—the likelihood of increasing compensation and rewards is

minimal. Instead, this is the time when talent management strategies are more likely to emphasize growth and development opportunities or maximize awareness of and appreciation for the organization's learning environment.

Conversely, in a bull market, organizations are more likely to offer additional rewards or increased compensation for a job well done. In such conditions, companies also might be more inclined to invest in talent management technology systems.

While market conditions will always affect how companies go about the business of managing talent, it's important to note that wise managers remain focused on the task at hand—not allowing retention strategies to succumb to either the bears or the bulls.

Key Strategies for Employee Retention

- Offer competitive salary & benefits.
- Recognize employee contributions.
- Develop career strategies.
- Provide a healthy work-life balance.

Conclusion

An organization's success is directly linked to its ability to access and retain an appropriately talented and skilled team of employees. That's why talent management and retention are critical business strategies.

One might assume that global economic and social changes translate into a decreased tendency to change jobs, ultimately causing some employees to feel trapped in their existing positions or disillusioned about possible advancement opportunities.

This study, however, found the opposite to be true. Employees reported high possibilities of leaving their current positions within the next year. For employees who plan to leave—and even for those who plan to stay—there are some key strategies that employers can implement to reduce attrition.

The findings of this study suggest that to achieve success, every organization must assess its use of

recruitment, development, and retention strategies, and align those strategies with the broader business strategy and organizational objectives. Without active talent retention strategies, organizations are likely to suffer increased attrition and its residual effects of decreased employee morale, challenges to knowledge transfer, and interruptions in both employee and community/customer relations.

Finally, the AchieveGlobal study reinforced that in order to retain top talent, organizations must implement initiatives such as developing superior, talented employees; securing adequate or superior compensation; fostering growth and development; and offering a balanced work-life experience.

About the Study

This study used online surveys with managers of organizations from the United States, the United Kingdom, France, Germany, China, Singapore, India, and Japan. For the purposes of comparison and analysis, the results were summarized into three geographical regions: the United States, Europe, and Asia. Human Resource and business functions managers were selected from corresponding countries to represent professionals with hiring and staffing responsibilities, with a total of 738 managers participating in the study.

About the Author

Huntley Manhertz Jr., Ph.D., directs strategic research focused on organizational management of human capital for the 21st century on behalf of AchieveGlobal, and its global subsidiaries and partners. His more than 10 years of market consulting experience includes work with both Fortune 500 companies and startups in industries such as consumer packaged goods manufacturing, retail, and market research consultancies.

Dr. Manhertz is proficient in strategic planning, market analytics, and business case development as it relates to brand strategy, price, and advertising and consumer behavior. He earned his doctorate in educational leadership and policy studies with a minor in economics from Indiana University-Bloomington.

About AchieveGlobal

In the 21st century, the level of human skills will determine organization success. AchieveGlobal provides exceptional development in interpersonal business skills, giving companies the workforce they need for business results. Located in over 40 countries, we offer multi-language, learning-based solutions—globally, regionally, and locally.

We understand the competition you face. Your success depends on people who have the skills to handle the challenges beyond the reach of technology. We're experts in developing these skills, and it's these skills that turn your strategies into business success in the 21st century.

These are things technology can't do. Think. Learn. Solve problems. Listen. Motivate. Explain. People with these skills have a bright future in the 21st century. AchieveGlobal prepares you for that world.



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