

## Retention—Why is it such a big deal??

By Brenda R. Haughney

Retention.... It's a buzzword you hear much about today. Why? Because it cost businesses a great deal of time and money to establish and maintain a quality retention program. The antithesis - turnover - can strap companies so severely that they have to cut back on what they deliver to their customers - services, products, or both.

With the boom of Information Technology, there is not enough talent to go around. The demands of specific industries (such as healthcare) makes the situation more problematic. As managers, we are faced with staffing challenges. If we do not have the right people in place, an inordinate amount of time is spent trying to find those people and, in the mean time, excess pressure is placed on the current staff to maintain the workload. While this may work for the short-term, grumblers will become vocal and your most talented people will begin looking elsewhere. Been there before? Are you there now?

You say you are fully staffed with competent professionals who are loyal to you and happy with the organization? Your department is running smoothly and you are the shining star whom everyone admires and wishes to emulate? Things couldn't get better? Mark my words...THEY WON'T. In fact, it could get terminal almost over-night. Disaster lurks and is ready to pounce; probably today! Although we view such occurrences as out of our control, that is not totally true.

Turnover is inevitable, if for no other reason than people eventually retire. Of course, people do move out of the area, transfer to other departments, get promoted and are asked to find employment elsewhere. So there is an expected level of turnover. What is it for you and what is your actual turnover rate? If expected turnover is 20% and you are experiencing 30% turnover then you can increase your bottom line by that 10% dollar figure and quickly enhance your performance and profitability.

Make a simple calculation. If the average salary in your department/company is \$40,000, multiply that number times the excessive number of employees who left your staff last year. What is your answer? \$40,000, \$400,000, or \$4.0 million? That's bad enough but many people put the actual cost of recruiting, hiring and training a new employee at 1.5 times the annual salary. What is your figure now? \$60,000, \$600,000, \$6.5 million?

What makes up these costs?

The expense of:

- Recruiting fees.
- Processing the separation.
- Researching new candidates.
- Screening, interviewing, and narrowing the field of qualified candidates.
- Selecting and checking out the candidate of choice.
- Completing drug screening, background checks, etc.
- Possibly hiring the replacement person with a higher package.
- Processing the new hire.

- Orienting the new hire.
- On-the-job training for the new hire.
- Loss of productivity during the transition.
- Possible loss of continuity with customer relationships during the transition.
- Possible loss of accounts or loss of account penetration.
- Etc, etc.

Each item costs you money and time. Even though time may be more precious to you, your supervisor holds you directly accountable for the dollars. So what can you do?

If you spend just a small part of that time and money, you can reduce the money you are spending in turnover costs. Time and space does not allow us to review some simple questions and techniques that can assist you with decreasing your turnover, therefore increasing your retention. We will continue this topic in our next edition.