

Whitepaper



Workplace Relationship
Development Indicator

About Turnover and Retention

By Colin Beames (MBA, BA, BEng, MAPS)

Corporate Psychologist

Principal, WRDI Institute Pty. Ltd.

Released September 2001, Updated May 2003



Organisations face major challenges from employees willing to "jump ship" for various inducements offered by competitors. Attracting good people is just one side of the employment equation; retaining them once they have been hired is the other.

(Anderson & Pulich, 2000)

Attraction and retention - the biggest challenges post - 2000. There is a war for talent and it will intensify! The average executive will work in 5 companies.

(The War for Talent, The McKinsey Quarterly, 1998)

It appears retention has overtaken reengineering and rightsizing as the No. 1 "R" word on the radar screen.

(HRFocus, November, 1997)

Introduction

Turnover is becoming a key issue for many organisations particularly with the shrinking availability of skilled talent. This white paper provides a comprehensive summary of turnover, including the bottom line impacts, how turnover and retention should be distinguished, factors affecting turnover, the main predictors of turnover, types of turnover including the turnover that organisations can control. A model of turnover, based on the concept of the psychological contract, is then introduced, together with an innovative diagnostic survey tool for measuring and diagnosing retention risk.

Contents of This White Paper

	page
Introduction	2
A Perspective on Turnover	3
Retention: A Key Issue for Organisational Survival	4
The Costs of Turnover	5
Factors Affecting Turnover	7
Avoidable Turnover: What Management Can Influence	9
The Psychological Contract and the WRDI™	13
Selective Retention	16
Other WRDI™ Report Outputs	17
WRDI™ Case Studies	18



A Perspective on Turnover

USA Statistics

According to the Bureau of National Affairs in Washington, DC, the average turnover rate for U.S. businesses in 1999 was 14.4% - the highest level in nearly 2 decades. The national unemployment rate up until recently, was running at 4.1% - the lowest since 1970.

Turnover in "established" companies is reported to be around 6 %, while in new companies (which includes the high - tech communications and computer industries), it runs as high as 30 - 40 %. At the other end of the spectrum, in low knowledge low service jobs such as fast food workers, turnover can run between 100 and 140 %.

Turnover amongst younger employees is also high. The U.S. Bureau of Labor Statistics indicates that a typical American holds 8.6 different jobs between the ages of 18 and 32, with most of those changes coming before age 27.

The Australian Scene

In Australia, turnover has been running at around 14 % in recent years. Recent studies have confirmed a rising "churn factor" of around 10% amongst professional staff. This means that on average, each Australian company will lose 1 in 10 of their professional staff each year.

The Imminent Talent Shortage

A recent buoyant economy has contributed to the high demand for skilled and talented people. A McKinsey report forecasts that in the next 15 years, a 25 % increase in demand for people aged 35 - 45 years is predicted. Over the same period, a 15 % decrease in the availability of those people is also predicted. This increasing demand and decreasing supply will continue to lead to massive competition for employee talent, with many organisations experiencing resultant retention issues. Successful companies will be those that can attract, develop and retain skilled and talented employees.



Retention and the IT and Telecommunications Industries

Top directors believe that information technology (IT) and e-business will not be the most crucial elements impacting future business, according to a study by the Chartered Institute of Management Accountants (CIMA).

The 'Success Beyond 2005' survey of nearly 400 directors worldwide found that despite the hype surrounding the onslaught of IT and e-business technology, only 8 per cent of respondents believe that IT, and just 6 per cent believe that e-business, will have the greatest single impact on the future of business.

These figures are significantly lower than the 50 per cent that voted that the retention of quality staff is the single most important factor for future success while 17 per cent ranked speed of change as the key influential factor.

(Mills, ComputerWorld, October 4, 2000)

The IT and telecommunications industries in particular, are prone to higher turnover rates, where in the past, demand has exceeded supply. Many employees in these industries are employed on a contract basis. Whilst there has been a reversal in employment opportunities since the Y 2K, many employees in these industries have become more of "free agents", where the old employment "deal" of traditional employee loyalty and long term commitment to the company, no longer exists.

Retention: A Key Issue for Organisational Survival

Preserving Intellectual Capital

Increasingly, organisational survival is dependent on an organisation's capacity to learn, adapt, and anticipate future developments. The traditional competitive edge of new products or technology is now short lived, as within up to six months, these can be replicated by competitors. **However, people and their intellectual capital cannot be as easily copied.** In particular, core knowledge or key specialist employees or are vital to business success. They know the business, its strengths and weaknesses, products, customers and processes. It is in these people that the intellectual capital and corporate memory of the organisation resides!

The Adverse Impacts of Turnover

Retention of valued employees is essential to maintaining high levels of quality service and efficiency. Turnover has a negative impact on the cohesiveness of the work unit and morale. The loss of valued individuals also disrupts communication patterns and the social order of organisations. Moreover, turnover can be self-perpetuating by stimulating further turnover, like a "break in the dyke" effect!

Increasingly, organisational survival is dependent on an organisation's capacity to learn, adapt, and anticipate future developments.



Finding qualified employees is becoming increasingly more difficult and longer than normal recruitment periods, with associated increased advertising costs being experienced by many firms in filling positions.

Some Turnover Is Desirable!

Notwithstanding, some turnover in an organisation is desirable, with:

- the infusion of new ideas and perspectives from newcomers (i.e., refreshes the "gene pool");
- the creation of opportunities for advancement and promotion; and
- improved organisational effectiveness and morale through the departure of poor performers.

An excessively low turnover may indicate:

- a workforce of disenchanted employees or "walking wounded", who consider their job prospects outside of the organisation to be slim; and
- a propensity for the organisation to retain non performing employees.

The Costs of Turnover

The indirect and hidden turnover costs account for 80 % or more of the total cost of replacing a professional employee.

(Phillips, 1990)

"Churn" costs are staggering. Research from the Saratoga Institute (SI), a leader in HR measurement, has revealed that the loss of an exempt employee costs, on average, between 1 to 2 two times that person's annual salary and benefits.

The loss of high performers costs more than money. It tends to impair the organisation's memory, dilutes the ability to perform, and compromises the will to win.

(Avoiding the Brain Drain, Kepner - Tregoe, 1999)

Turnover can feed upon itself and breed "psychological disloyalty" in the workforce. Resources which might have been deployed to growing the business must simply be devoted to maintaining it.

(Avoiding the Brain Drain, Kepner - Tregoe, 1999)



Estimates of Turnover Costs

Estimates of turnover costs vary:

- The U.S. Department of Labor estimates that it costs a company 1/3rd of a new hire's annual salary to replace an employee;
- the indirect and hidden turnover costs account for 80 % or more of the total cost of replacing a professional employee (Phillips, 1990);
- the typical cost of voluntary turnover ranges from 0.5 to 2.5 times the annual salary of the job in question (Cascio, 1995);
- The Saratoga Institute Turnover Costing Model estimates that turnover costs are between 1 to 2 times an employee's annual salary and benefits.

Direct and Indirect Costs

The Saratoga Institute model includes both direct and indirect costs, with the 3 major categories of direct costs being:

- cost of termination (including any pay out arrangements);
- cost of hiring (including advertising expenses, recruitment consultant's fees);
- cost of the new hire (only 60 % as effective in the first 3 months compared to an experienced employee).

The last category is by far the most expensive.

However, direct replacement costs comprise only a small portion of the total cost of turnover. Indirect or less visible costs (which are not immediately apparent in an organisation's financial reporting) include:

- lost customers or damaged customer relations;
- additional marketing and sales expenditures needed to win replacement customers;
- loss of intellectual capital;
- lost opportunities (particularly in the development of new technologies and products);
- a decrease in the "bench strength" required for effective succession planning;
- advantage to competitors from their knowledge acquisition of their new recruit's ex-employer;
- decreased morale and increased stress among remaining employees; and
- the negative affect on an organisation's reputation.



Fiscal Implications of Turnover

A small improvement in people management resulted in 7% less turnover, \$27,000 increase in sales per person, \$18,600 per person increase in market value and \$3,600 increase in profit per person.

(Survey of 1000 US Firms)

Employee retention is a key driver of customer retention, which in turn is a key driver of company growth and profits. Research at MBNA's credit card business showed that a 5 percent increase in customer retention translates into a 125 percent increase in per-customer profits.

(Reichheld, 1996)

Another study showed that a 7 percent decrease in employee turnover led to increases of more than \$27,000 in sales per employee and almost \$4,000 in profits per employee.

(Huselid & Becker, 1995)

The fiscal implications resulting from excessive attrition can be devastating!

The fiscal implications resulting from excessive attrition can be devastating! The loss of critical employees in particular – those executives responsible for growing the business as well as sales personnel and designers – can erode profits, making a significant adverse impact on the bottom line. A simple “back of the envelope” cost benefit analysis will convince most executives that efforts to improve retention can have significant payoffs.

Calculating Turnover Costs

Consider the following example:

- a company of around 500 employees;
- experiencing an annual turnover of 10 %;
- with an average employee salary of \$ 45,000;
- turnover cost per employee (1/3rd of average employee salary), is \$ 15,000.

The turnover cost per annum, estimated on the most conservative basis for this company, is likely to be a minimum of \$ 750,000.

Why Estimates of Turnover Costs Vary

However, what is required is a more "fine grained" analysis of turnover, based on a workforce segmentation approach. In the same way a marketer segments their customers, so **management needs to segment their workforce**, according to:



- the value and knowledge contributed;
- availability of replacement employees;
- customer interface; and
- strategic importance of those segments to business success.

For example, a recruitment consultant who has recently resigned to take up a similar position with a rival recruitment firm, may draw major clients away from their previous employer. The cost implications for their previous employer are likely to be very significant. Contrast this with an administration clerk who has recently resigned, where there are unlikely to be similar business implications.

Factors Affecting Turnover

3 Key Factors

Turnover is a complex and multifaceted phenomena, which is influenced by three sets of factors:

Turnover is a complex and multifaceted phenomena, which is influenced by three sets of factors.

1. **Organisational factors;**
2. **Individual factors; and**
3. **Environmental or external factors.**

More specifically, organisational factors include:

- **overall organisational characteristics** (e.g., culture, opportunities, management / leadership style and capabilities, success, reputation, size, etc.); and
- **job related factors** (e.g., job level and status, terms and conditions of employment including rewards, availability of challenging work, promotion and advancement opportunities, available resources and assistance, provision of training and development, autonomy in so far as decision making and responsibility, job security, provision of a safe environment, presence of social support and management support, job location, availability of flexible work practices, etc.);

Individual factors include:

- **socio-demographic characteristics** (e.g., race, income, education, tenure, age, etc.); and
- **individual characteristics** (e.g., personality, sense of obligation to stay, risk propensity, health, family support, job / career interests, other outside interests, other responsibilities, etc.).

Environmental or external factors include employment opportunities, economic conditions, changing technology, etc.

Employers can't control external influences but they can understand and adapt to them.

Employers can't control external influences but they can understand and adapt to them. Of the above three sets of factors, the following are the most controllable:



- certain job related factors and organisational characteristics; and
- the matching of individuals with these factors and characteristics (i.e., “fit” between the individual and the organisation, and between the individual and the job).

These more controllable factors are explored later in this paper.

Recent Influences

The unprecedented work place changes that have occurred in the past 10 to 15 years, have contributed to turnover. These changes include:

- increased competition as a consequence of the twin forces of globalisation and technology;
- an emphasis on economic rationalism;
- changing employment practices (e.g., use of fixed term contracts, casuals, contractors); and
- the changing needs and values of employees (e.g., emphasis more on "employability", including career advancement / development as opposed to job security; a greater concern work / life balance; need for autonomy; etc.).

The turbulent and ever diversifying world of work has thus added an extra layer of complexity to the problem of turnover.

Note: The above latter two issues are more comprehensively addressed in WRDI Institute Pty. Ltd. white paper entitled: "New Deal" Employment Relationships.

Avoidable Turnover: What Management Can Influence

Workers in the new reality will be able to choose to invest themselves in satisfying, meaningful work, engage in continuous learning and reclaim their self-esteem. The organisation payoff is a workforce of free independent employees working on tasks that they find fulfilling, resulting in long-term competitive advantage in a global market.

(Noer, 1997)

Understanding Types of Turnover

Turnover can be classified as either:

- **voluntary** turnover, which relates to all employee initiated separations, including avoidable or dysfunctional turnover; or
- **involuntary** turnover (e.g., dismissal, retrenchment, forced retirement, medical disability, and death).



Voluntary turnover relating to individual factors, predominantly outside the influence and control of an organisation, include:

- changing career aspirations; and
- family or personal issues.

Avoidable Turnover

Avoidable turnover may be due to the **“push” effect** - dysfunctional organisational and / or job factors which include:

- employees' realistic expectations not being met;
- unfair treatment of employees;
- lack of trust between management and employees;
- poor recruitment and selection procedures where there is a lack of “fit” between the employee and the job and / or organisation.

Avoidable turnover may also be a result of the **“pull” effect** – the attraction of superior external employment opportunities (i.e., more competitive or more attractive “deals”). Employees are seduced away from their existing organisation by:

- better terms and conditions of employment (e.g., compensation or rewards, flexible work practices, etc.);
- a better job (e.g., more responsibility and challenge, more favourable career prospects including training and development, more support, etc.); and
- a better organisation to join (e.g., more successful, stronger leadership, better cultural “fit”, etc.), to work for.

Avoidable, voluntary turnover is the turnover that management needs to focus on and address.

Avoidable, voluntary turnover is the turnover that management needs to focus on and address.

Avoidable Turnover: Research Findings

Research findings have confirmed that the three most significant factors generally associated with voluntary turnover, which management is able to influence, are employees':

- **job satisfaction** (i.e., those with lower job satisfaction are more likely to leave, including lower knowledge workers);
- **affective commitment** (i.e., those with lower emotional attachment / identification or engagement with the firm are more likely to leave); and
- **tenure** (i.e., those who have been with the firm less time are more likely to leave).

Therefore, the way to reducing turnover lies with enhancing employees':

- job satisfaction and affective commitment; and
- paying particular attention to the selection and orientation of newer employees - the most “at risk” group in terms of turnover.



The question is: *How can this be best achieved?*

More about Job Satisfaction

Job satisfaction is an “umbrella” concept, which is a significant indicator of the quality of an individual’s work life, and their **degree of “fit” with the job**. Job satisfaction is affected by a range of characteristics including the:

- individual;
- job;
- workplace; and
- organisation.

Some of the key job related factors significantly impacting on job satisfaction include what is termed as the nature and delivery of employees’ “deals”, or their employment propositions. The “deal” includes both **tangibles** and **intangibles** in the four (4) key areas of:

- rewards and recognition (e.g., pay based on performance);
- safety and job security;
- career development (e.g., job challenge, training, autonomy, advancement); and
- support and social aspects of the job (e.g., management support, group support, flexible work arrangements, adequate resources).

Another factor significantly impacting on job satisfaction is the extent to which employees perceive that they have been treated fairly.

Note: The above relationships between job satisfaction, delivery of the “deal” and fairness, have been established from statistical modelling of WRDI™ measures (see later).

More about Affective Commitment

Affective commitment, like job satisfaction, is a multifaceted concept, affected by a range of individual, job, workplace and organisational factors. One factor significantly impacting on affective commitment is the extent to which employees feel that they can trust top management trust.

Note: The above relationship between affective commitment and top management trust has been established from statistical modelling of WRDI™ measures (see later).

Affective commitment is an indication of the degree of “fit” between the organisation and the employee. Just as organisations are different in their culture, so are people in their personality and interests. Higher levels of affective commitment are related to enhanced employee performance and well being.



Job Satisfaction and Affective Commitment

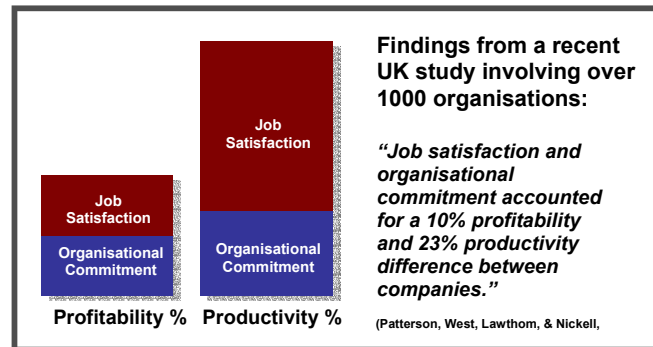
A study at Sears found that every 5 percent improvement in employee attitudes drives a 1.3 percent improvement in customer satisfaction and a .5 percent growth in store revenues. (Rucci, Kirn, & Quinn, 1998)

Xerox used a management and measurement system that enabled the company to track relationships between employee attitudes and behaviours, customer satisfaction, and profitability. The company found a tight link between employee satisfaction measures and customer results. (Barr, 1998)

Job satisfaction and affective commitment are closely related: they tend to go together, but not always (see later on selective retention). A person may love their job, but not the organisation for whom they work, and *vice versa*. Higher levels of job satisfaction and affective commitment are related to:

- higher employee motivation and performance;
- lower workplace stress; and
- more satisfied customers.

The link between higher levels of alignment is demonstrated in a landmark U.K. study of around 1000 firms by Patterson, West, Lawthom, and Nickell (1997).



Note: In this study, organisational commitment is equivalent to affective commitment.

Hence there are bottom line and lasting organisational benefits in enhancing the levels of job satisfaction and affective commitment of the workforce (by segment), beyond just reducing turnover.

The concept of the psychological contract is a useful one for understanding the “cause and effect” relationship operating on those key factors impacting on employees’ job satisfaction and affective commitment, and the relationship alignment between an organisation and its workforce.



The Psychological Contract and the WRDI™

Survey results from a recent major U.K. study have confirmed that the psychological contract is a key explanatory variable in contemporary employment relations with the state of the psychological contract influencing behavioural outcomes such as motivation at work, organisational citizenship behaviour and intention to leave the organisation.

(Guest & Conway, 1997)

About the Psychological Contract

Relationships are fundamental. Be in the personal domain or in the workplace, the nature and quality of relationships impacts on the satisfaction and the commitment (including emotional attachment / identification, and intention to stay in the relationship), of the parties concerned.

The psychological contract between employer and employee, defines the essence of the employment relationship. It represents *the stated and implied set of expectations, obligations, and understandings, operating between workers (a wider term than employees), and their employer.*

The psychological contract is not a legal document, but it is nevertheless "real" in the minds of workers and employers. It is a broader concept than an employment agreement or contract, and includes both what has been written, said, and observed.

The psychological contract is not a legal document, but it is nevertheless "real" in the minds of workers and employers. It is a broader concept than an employment agreement or contract, and includes both what has been *written, said, and observed*. It comprises both **tangibles** (e.g., pay) and **intangibles** (e.g., support, training, advancement). **The psychological contract is a powerful determinant of workers' behaviour.**

The content of the psychological contract "deal" (comprising both tangibles and intangibles), will vary across workforce segments, consistent with the business strategy of the organisation, depending upon the:

- history and positioning of the business;
- stability of the external environment;
- nature of customer relationships and service;
- knowledge and value that various groups or segments within the organisation contribute; and
- emerging needs and values of employees.

One size does not fit all!

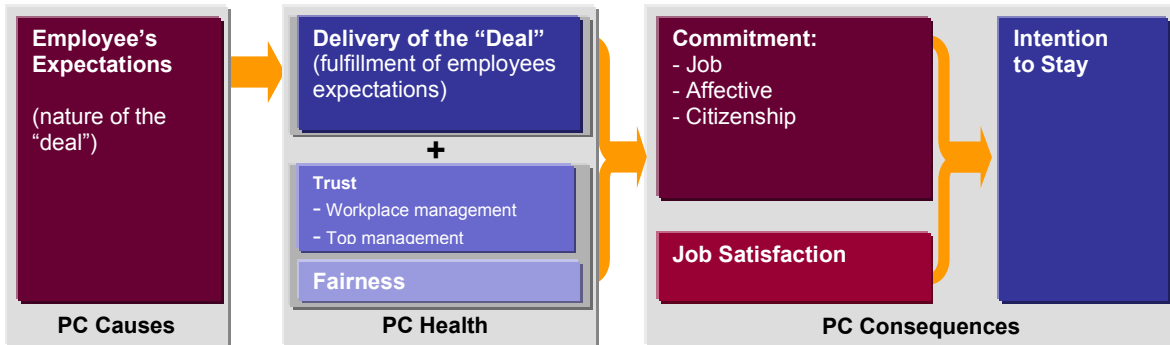
It is often contended that one of an organisation's most valuable assets is its people. A more perceptive view is this - that an organisation's relationship with its workforce is its real asset! Ultimately, retention is about how an organisation manages its relationships with its workforce or more specifically, how an organisation structures and manages its psychological contracts with various workforce segments.



Measuring the Psychological Contract: The WRDI™

A recent innovation in the HR metrics area is the development of a diagnostic survey tool, the **Workplace Relationship Development Indicator (WRDI™)**. The WRDI™ is based on a research validated model of the psychological contract, and incorporates rigorous psychometric properties.

The WRDI™ Model of the Psychological Contract (PC): Causes, “Health” and Consequences



More specifically, the WRDI™ measures:

- the nature of the “deal” or the strength of employees' expectations across those items comprising the psychological contract (i.e., generates psychological contract profiles);
- the “health” of the psychological contract (includes the extent to which employees' expectations have been fulfilled or delivery of the “deal”, plus measures of trust and fairness); and
- the consequences of the psychological contract (includes employees' levels of job satisfaction, affective commitment, and their intention to stay with the organisation).

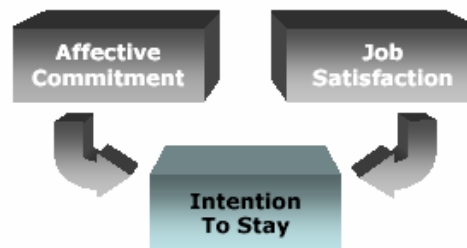
The WRDI™: A Systemic and Analytical Approach To Addressing Turnover

What gets measured, gets managed! The WRDI™ underpins a systemic and analytical approach to addressing retention / turnover issues. It has diagnostic capability (i.e., links cause and effect), in the three (3) key areas of:

- affective commitment;
- job satisfaction; and
- intention to stay with the organisation.

Intention to stay is the strongest predictor of retention.

The Two Strongest Predictors of Intention to Stay



Note: Affective commitment and employee engagement are equivalent terms.

WRDI™ Report Outputs: AWA Report

One of the WRDI™ report outputs - the Audit of Workforce Alignment (AWA) Report - provides summary information on the above three measures (i.e., the key consequences of the psychological contract). More specifically, the AWA Report predicts:

- how many employees are likely to be “at risk” of leaving, or likely to leave the target organisation; and
- how many employees are misaligned (i.e., have poor “fit”), with either the organisation and / or their job.

Typically this report is produced initially to provide an overall assessment of workforce alignment and retention risk within an organisation (see example next page). The AWA Report is generated from approximately 20 of the 90 items of the WRDI™ questionnaire (refer WRDI™ model)

Note: The AWA Report can also be applied exclusively to an organisation’s key talent group which typically comprises around 10% of the workforce.



Audit of Workforce Alignment (AWA) Report

Executive Summary

Retention Risk	Management	Sales	Operations	Technical
Stayers	77	73	111	37
At Risk	18	27	41	11
Leavers	7	15	27	2

Alignment	Management	Sales	Operations	Technical
Engaged & Satisfied	71	59	80	35
Engaged but Dissatisfied	14	25	39	12
Disengaged but Satisfied	11	14	29	3
Disengaged & Dissatisfied	6	17	31	0

Selective Retention

The organisation that will thrive in the new reality are those with employees who have the option to leave but choose to stay. Those that fail will be populated by employees who are there only because they are afraid to go elsewhere.

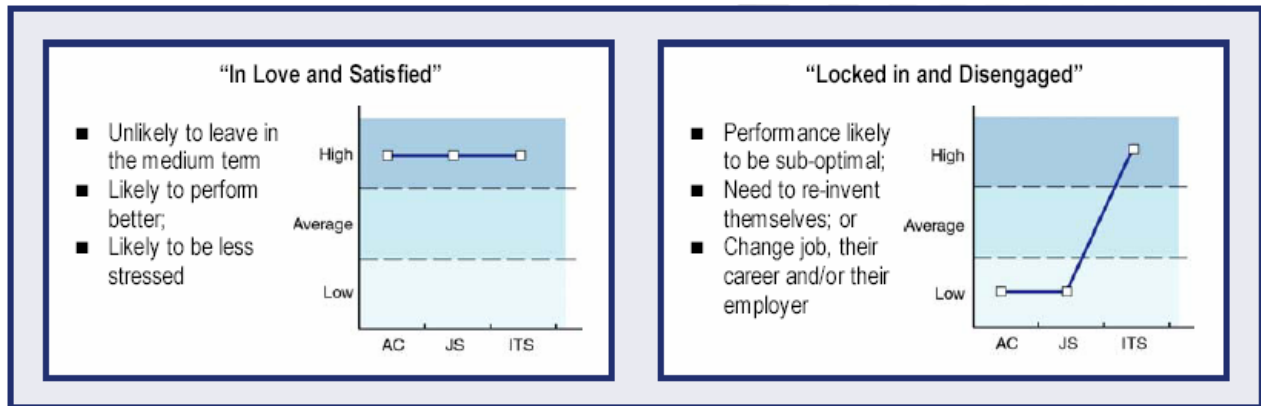
(Noer, 1997)

However, in reducing turnover, what also is important is retaining the “right people” (i.e., “in love and satisfied”), as opposed to maximising retention. Retaining employees with low job satisfaction and / or affective commitment (i.e., “locked in and disengaged”), is hardly likely to lead to enhanced organisational performance.

Most probably these employees are the “walking wounded”, who are:

- “stuck” in their career, seeing few employment prospects outside the organisation;
- more stressed; and
- otherwise likely to be poorer performers.

Various Categories of Stayers



JS: Job Satisfaction AC: Affective Commitment ITS: Intention to Stay

The WRDI™ underpins an approach to “selective retention”, by differentiating or categorising employees, according to key measures associated with organisational effectiveness. What employees do while they are with organisations is as important, if not more important, than how long they stay.

Other WRDI™ Report Outputs

Organisational Development Report

For group surveying scenarios, individual employee scores are aggregated for various workforce segments. Reporting arrangements are flexible, so that management is able to assess the “health” of employment relationships or psychological contracts, with various workforce segments (e.g., senior managers, middle management, sales personnel, general or front line employees, contractors, etc.). The Organisational Development Report provides the diagnoses of what lies behind the AWA Report findings (refer WRDI™ model). It includes psychological contract profiles comprising the 90 items of the WRDI™.

The WRDI™ "pin points" areas of relationship distress or misalignment for workforce segments. Targeted interventions can then be implemented, at an individual, workplace and organisational level, to address deficits.

The WRDI™ findings "pin point" areas of relationship distress or misalignment and pockets of turnover by workforce segments. Targeted interventions can then be implemented with predictable outcomes, at an individual, workplace and organisational level, to address deficits. This information provides a basis for management to enhance employee / worker retention by:

- structuring employment propositions or "deals", for various workforce segments; and
- creating "healthy" psychological contracts and alignment of workforce segments.



Employee Empowerment and Individual WRDI™ Reports

As part of a mass survey, individual WRDI™ Relationship and Career Development (RCD) Reports (i.e., on the “health” and consequences of an individual’s psychological contract), can be generated online. The WRDI™ therefore offers a dual approach, working on a systemic or organisational basis (i.e., top down), as well as at an individual level. These RCD Reports include tailored commentary and interventions, providing employees with a new framework to think about their work life and career development. It serves as the upfront diagnostic tool in so far as assessing the career development needs of the individual.

RCD Report may serve as a powerful catalyst for regenerating and empowering employees concerning their job and career development. It may assist them to focus directly on any sources of frustration and decide on strategies and interventions to deal with them accordingly. RCD Report findings open up new possibilities for constructive dialogue between employees and their employer about important matters.

WRDI™ Case Studies

Large Domestic and Global Agricultural Distributor (Individual and Systemic Interventions)

A recent WRDI™ workforce audit of a high profile corporate uncovered some startling information about the “health” of the relationship with its workforce. This large domestic and global distributor of agricultural products was on an expansion trail, and the retention of key talent was critical to the company’s success. The WRDI™ was chosen because of its unique ability to diagnose and manage retention risk of top talent.

The CEO and executive team were presented with data indicating up to 40% of the top talent in this organisation were at risk of leaving. In addition to this raw statistic, they were provided with a diagnosis of the specific causes contributing to that risk. *Being presented with “in your face” diagnostic data is one thing, but having a prescription to fix any problems is even more important*, commented one senior executive. He went on to say that *the WRDI™ information was invaluable for the career development of our people and our long term planning and capability. We knew that some of our key people might have been targeted by the opposition, and now we know what we have to do internally, to ensure we keep these people on board and happy.*

A range of individual and systemic career management / development initiatives were implemented in this organisation, consistent with the model on page 14.

Multi National Recruitment Firm (Systemic Interventions)

In another project with a multi national recruitment firm, the WRDI™ data was analysed for various workforce segments. Senior management was more than “happy with their lot” whereas a significant retention risk was identified with the

“The CEO and executive team were presented with data indicating up to 40% of the top talent in this organisation were at risk of leaving.”



administration and support staff. The segmentation approach adopted avoided the assumption or over simplification of “one size fitting all” regarding diagnosis and interventions. Two simple systemic interventions were adopted, at no cost to the recruitment company, viz:

- changing recruitment practices for administrators (the company had been recruiting graduates for roles in which they could never satisfy their expectations regarding career opportunities);
- restructuring such that a new intermediate position between administrator and consultant (called an associate), was created as a “stepping stone” or articulation career path for those graduates who aspired to consultant status (the previous step from administrator to consultant was too big a jump).

Small Biotechnology Research Company (Individual and Systemic Interventions)

On a much smaller scale, a key talent retention program with a biotechnology research company revealed that up to 50% of their top talent was at risk of leaving. This organisation had been experiencing a period of uncertainty against a background of significant growth and transition. Shoring up the retention risk of key scientists was critical to the completion of clinical trials, market perceptions and the next round of fund raising. The findings emerging from the WRDI™ and associated debriefs (both individual reports and for the company as a whole), identified the following issues and key contributing factors to retention risk:

- lack of staff performance reviews;
- non viability of the company’s share option scheme;
- clarification and explanation of some past actions of the CEO and CFO, given recent uncertainty surrounding funding and the future of the company;
- some lack of appreciation of the additional challenges and subtle differences in working for a smaller organisation (most employees had come from larger organisations previously to join the company); and
- the changing role of the CEO / GM (a combined role given the size of the company), given recent growth, and the future business imperatives of fund raising and partner alliances.

The above issues were then work shopped with the senior management team and key specialists, resulting in deeper levels of understanding by both management and employees, and enhanced levels of trust and camaraderie.

Additionally, employees benefited from the process by having a confidential individual report debrief and career coaching session with a professional, and the opportunity to address any of their concerns.



Summary

The WRDI™ underpins the structuring and managing of employer/employee relationships, including the measurement and diagnosis of the nature and quality of these relationships. More specifically, the WRDI™:

- offers a scientific, “cutting edge” approach (not *ad hoc*), to assessing retention risk and creating workforce alignment, proactively and predictively;
- is able to differentiate retention and turnover issues;
- where appropriate, offers targeted interventions with predictable outcomes to achieve workforce segment relationship alignment and/or desired improvements; and
- offers a powerful, dual approach, working at a systemic or organisational level (i.e., top down), as well as at an individual level (bottom up).

Acknowledgements

The author, Colin Beames, wishes to acknowledge David Guest and Denise Rousseau whose ideas have been drawn upon in the preparation of this white paper.



Contact

WRDI Institute Pty. Ltd.

Headquarters:
Suite 502
89 High Street,
Kew,
Melbourne, Australia

Postal Address:
PO Box 389
Kew East,
Melbourne VIC, 3102,
Australia

Tel: + 61 3 9854 6166
Fax: + 61 3 9854 6168

Email: info@wrdi-institute.com
Web: www.wrdi-institute.com

The WRDI Institute is one of the world's leading authorities on human capital, workforce alignment and retention. The WRDI Institute provides HR measurement and solutions in the following areas:

- Human Capital Assessment;
- Retention (including key talent retention risk assessment);
- Talent Management;
- Career Development;
- Organisational Development, including Workforce Alignment and Performance Enhancement;
- Industrial / Employee Relations (EBAs); and
- Post Recruitment Assessment.

The WRDI Institute has developed a suite of white papers on the following contemporary workplace themes:

- Creating "New Deal" Employment Relationships;
- Managing Your Human Capital: The Ultimate Determinant of Organisational Performance?
- Improving the Bottom Line: A Diagnostic Approach to Enhancing Workforce Alignment Through Career Development;
- About Turnover and Retention;
- Retention Intervention: A Strategic Approach;
- The Psychology of Mergers / Acquisitions;
- Employer of Choice: Putting Substance to the Rhetoric!
- The Balanced Scorecard and the WRDI™;
- Managing Expectations: Strengthening Recruitment Practices and Enhancing Retention.

Copyright © 1999-2003 WRDI Institute Pty. Ltd.