

Talent and Talent Management Insights

Insight 5. Retaining Talented People

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Retaining Talented People - Executive Summary

- There is a significant impact on performance when an organisation loses its key employees. Valuable knowledge will be lost, the departure can have significant economic impacts on productivity and the direct replacement cost can be as high as 50% of an employee's annual salary.
- Organisations are increasingly recognising that employee retention is as critical a part of the talent portfolio as employee attraction.
- Employee retention is concerned with the extent to which an organisation is able to keep its employees. Many organisations have concluded that they cannot take a passive stance towards employee retention but have to manage actively a range of retention policies and practices.
- A key objective for organisations is to design employee retention policies that are evidence based. Having accurate information on employee retention will help to ensure its effective management.
- Evidence shows that the reasons for staying with or leaving an organisation can be categorised as being either 'pull' and 'push' factors. 'Pull' factors include such things as the offer of a new job that may be attractive enough, in terms of reward or development to provide an incentive to the individual to look outside of the organisation. 'Push' factors include job dissatisfaction or poor relationship with the line manager; failure to recognize and leverage the passions of the employee; failure to challenge intellect; failure to engage creativity; failure to develop skills or failure to provide career progression.
- A strategic approach to employee retention will require a focus on a few themes that will contribute to the alignment of the strategy to the achievement of the organisations objectives. This step is the precursor to developing operational plans that support the delivery of the objectives of each theme. Four themes have been highlighted. These are engage and retain through providing meaning at work; develop for potential, retain through opportunity; reward for performance, reward fairly to retain and excite through culture.
- The next stage will be to ensure effective implementation of the strategy. In the first place, it will be important to recruit the right people since there has to be the 'right fit of the person's aspirations and ways of working with those of the organization.' Secondly ensuring that there is consistent management practice that contributes to a working environment conducive to retention. This will be achieved by having a management ethos which includes employee engagement, the provision of development opportunities, effective recognition programmes and the necessity of giving employees a voice through consultation as key objectives. And finally, the development of an employer brand that not only attracts talented people but helps to retain by a feeling of pride in working for the organization.
- Employee retention will be most effective if it is aligned to other activities in the people management 'cycle' such as talent management, reward strategy and employee engagement. A holistic approach to the subject is an important success criterion.

What is employee retention and why is it important?

Employee retention is critical to the long term success of the organisation

Employee retention is the extent to which an organisation is able to keep its employees- either over a long period of time or until the completion of a specific project or contract. It is the opposite of employee turnover. Employee retention can be viewed broadly to encompass the whole of the workforce; or in a narrower way with a focus on specific employee segments (high potentials, those identified as successors or clinical specialists).

The output of a focus on employee retention will be people management policies, practices and interventions designed to engage the workforce to stay. Such interventions will include actions on pay and reward (for the whole workforce these will include broad banding to allow pay responsiveness or total reward practices that embrace flexible working; for individuals these will include such things as retention bonuses); actions to ensure an inclusive management style and culture; and actions to provide career, training or development opportunities.

Employee retention is an important subject for those involved in talent and talent management because, having developed and implemented a comprehensive and inclusive approach, the benefits

Because retention is critical to the long term health and success of the organisation, it is a subject that is attracting increased attention from business leaders and talent professionals. Retention is a strategic issue as well as an operational one. The departure of talent at any level of the organisation can have a significant financial cost and can interrupt productivity, workflow and service not to mention the loss of expertise. (Turner and Kalman 2014)

will be lost if members of the workforce aren't engaged with the purpose and direction of the organisation, fail to use their talent in support of the achievement of its objectives; or leave to join another organisation. There is recognition that employee retention is as critical a part of the talent portfolio as employee attraction.

The retention of talented employees is important to the success of the NHS.

There is a need to ensure that the knowledge, skills and experience that add economic or patient care value to the organisation are effectively applied to the achievement of the organisation's objectives, which will be adversely affected if employees leave. Valuable knowledge will be lost, the departure can have effects on productivity and direct replacement costs can be as high as 50% of an employee's annual salary. There are also possible effects on morale and motivation. The failure to retain talented employees leading to high turnover rates will impact on whether the organisation is successful or not. (Allen 2008)

But the position on employee retention in the NHS has some unique characteristics. On the one hand labour turnover in the NHS has been estimated at around 8% in the year to June 2014; lower than the average turnover for all organisations in the UK; but on the other it masks challenges in some segments (though not all). High vacancy rates in some clinical specialisms and healthcare scientists for example show difficulties in filling some positions. There are skills shortages and difficulties in recruiting specialists which means that all the more effort has to go into retaining key people once they are in post.

An overarching conclusion is that it is not possible to take a passive stance towards employee retention in the NHS, but like many other organisations have to manage actively a range of retention policies and practices.

Employee retention is an integral part of talent management

In the NHS Leadership Academy's Insight 1, *Defining Talent and Talent Management*, we showed how a talent strategy will be crafted by using the outputs of the organisation's strategic workforce plan to identify 'selective' leadership or managerial roles at senior level that will be an integral part of the succession plan. In addition an inclusive approach to talent management will see development opportunities in place for a large section of the organisation in addition to the leadership or managerial groups. The organisation will also invest in an employer brand and employee value proposition that provide a framework in the quest to become a 'great place to work.' Finally, a broad range of reward, recognition and engagement activities will come out of the dialogue about talent management and development. (See figure 1)

The objective of this holistic approach to talent will be to develop an inclusive culture in which everyone in the organisation is assumed to have talent and career opportunities are available to as many people as possible. Such a culture will enhance the chances of the organisation achieving its goals by having a motivated skilled workforce.

Figure 1
The component parts of talent management



It would be counterproductive if, having invested time and resource into other elements of the talent strategy so that the organisation had the right people, in the right place, at the right time with the right skills, those people were not able to stay to deliver a return on the investment in them. What this highlights is that to ensure that the investment in talent and the harnessing of potential are maximised, the organisation will want to make sure it keeps talented people at all levels. Understanding the dynamics of employee retention is therefore important.

Why do people leave or stay with organisations?

Employee turnover occurs naturally in all organisations

When employees leave by choice it is known as voluntary turnover. When employees leave because the organisation initiates changes in structure or ways of working that require fewer or differently skilled people, it is known as involuntary turnover. Employees voluntarily leave organizations because of low job or employer satisfaction, few promotion and development opportunities, or better opportunities elsewhere. Identifying the organization specific reasons why people leave is an important source of information for human resources professionals and can be used to inform the areas which should be targeted during employee retention.

Other commonly cited reasons for turnover are a failure to connect with line managers; poor working conditions or environment; a lack of appreciation of the efforts of employees and a failure to give employees a voice in how the organization can achieve its objectives.

A macro level view of employee turnover shows that:

- Job satisfaction was found to be an important determinant of whether employees stayed with or left the organisation and those who reported overall dissatisfaction with their jobs had a higher probability of intending to leave than those reporting to be satisfied. However, dissatisfaction with promotion and training opportunities were also important.
- Managers were shown to leave because of a perceived the lack of appreciation or perceptions of not being valued. Working hours, workload, greater responsibility, larger spans of control and work schedules were also concerns
- Career development, promotion and appreciation of contribution were key retention factors, while a supportive professional environment, reduction in workload and working hours and more flexible work patterns were important. (Jie Shen et al 2004)

Other studies concluded that there wasn't one single factor but linkages between a variety of factors that affected both recruitment and retention. (Newman et al 2001)

And once people do leave, there are significant cost and social impacts (Bersin 2013):

- The cost of attracting and recruiting a new person (advertising, interviewing, screening, hiring)
- The cost of induction and onboarding such as training and management time
- Lost productivity (a new person may take a significant amount of time to attain the productivity levels of an existing employee)
- 'Lost engagement (other employees who see high turnover disengage and lose productivity)'
- Training costs
- Cultural impact (whenever someone leaves others take time to ask "why?")

The reasons why people leave organisations are therefore a mix of environmental factors such as poor working conditions, perceived shortfalls in basic satisfiers such as pay, or developmental factors such as career opportunities. Exit interviews are sometimes used as a source of data in this area. Hence it's possible to conclude that there is a need to address the subject of employee retention from the process of recruitment through to the working environment, including recognition on the part of managers, to reward, flexible working conditions and development opportunities. A holistic, joined up response will be needed.

Why do people stay with organisations?

At the opposite end of the spectrum it is also possible to identify why people stay with organisations. Studies show that important factors in this area include job satisfaction, extrinsic rewards, organizational commitment, and organizational prestige. (Hausnecht et al 2009) In addition it was found that high performers were more likely to stay because of career advancement opportunities.

Research into retention, engagement and satisfaction showed a variety of positive 'stay' factors including:

- Flexible working, which created a feeling of happiness which in turn translated through to positive discretionary behaviour and a number of performance outcomes. (Atkinson and Hall 2011) Employee retention was likely to be one such outcome.
- A positive and open approach or management style which resulted in significant growth and expansion and lower-than-expected staff turnover.
- Stable leadership and 'the importance of looking after and continuing to develop staff....open and constant communication at all levels, and the value of team-building activities in maintaining staff morale.' (Curson and Parnell 2010)
- Honesty and transparency in times of uncertainty led to positive attitudes and behaviours and an inclination to stay with the organisation
- An 'active response to uncertainty and change can provide the impetus for business expansion and continued staff development at a time when these would more naturally be expected to remain static or contract.... in times of difficulty or uncertainty, it is essential that staff continue to feel valued as individuals and team members.' (Curson and Parnell 2010)
- For IT staff, identification with the organisation was an important factor in the intention to stay. (Coombs 2009)

An innovative approach to data gathering in this area is to conduct stay interviews rather than exit interviews. This will enable the organization to understand why employees stay and as importantly what factors provide them with meaning at work. (Turner and Kalman 2014)

Hence the reasons why people leave or stay is a mix of psychological, social and environmental factors. Some of these will require interventions with individual employees; whereas others will require a wider organisational response. It's also possible to conclude that each organisation or part of the organisation will have its own unique set of dynamics (although there may be some common factors) and this highlights the 'importance of differentiating human resource management practices when the goal is to retain valued employees.'

The Push and Pull of Employee Retention

Combining data from exit and stay interviews together with research into motivation and engagement shows that there are two types of forces in that impact on the dynamics of retention which can be categorised as either 'pull' and 'push' factors as shown in figure 2 below.

'Pull' factors include such things as the offer of a new job that may be attractive enough, in terms of reward or development to provide an incentive to the individual to look outside of the organisation. Others will include attractive working environment, development opportunities or the reputation of a particular organisation.

But 'pull' factors can also work within the organisation. West's study of employee engagement (West et al 2012) showed reasons for staying included working in well-structured teams; quality of job

design (clear job content, feedback and staff involvement); support from immediate managers; fairness and effectiveness of incident-reporting procedures and overall organisational climate (extent of positive feeling in the organisation):

***'job satisfaction, organisational commitment, turnover intentions, and physical and mental wellbeing of employees are predictors of key organisational outcomes such as effectiveness, productivity and innovation means there are multiple reasons to encourage such positive employee attitudes. This applies even more so in health services, where the attitudes of employees are likely to directly affect the quality of the patient experience.'* (West and Dawson 2012)**

**Figure 2
Push and Pull factors in Employee Retention**



'Push' factors ie those that commit an employee to leave an organisation, include job dissatisfaction or poor relationship with the line manager; failure to recognize and leverage the passions of the employee; failure to challenge intellect; failure to engage creativity; failure to develop skills or failure to provide career progression. These factors have the adverse effect of pushing the employee to look for opportunities in other organisations.

Both push and pull factors provide insights that can be used as a platform on which to build a retention strategy. The objective of retention will be to maximise the pull factors within the organization and to minimize those that push the employee out of it.

Each organisation or part of the organisation will have its own unique context within which this takes place, which will determine the actuality of employee retention. Amending the reward proposition for example would only solve one issue; implementing manager training so that they engage employees better would solve another; and a programme of culture change, though positive, may by itself do little

to improve other circumstances. 'The response to talent retention should be specific to the individual and strategic for the organisation.' (Turner and Kalman 2014) It is therefore important to gather relevant data that will provide insights into the reasons for staying or leaving.

Sources of information about employee turnover

A key objective for organisations therefore is to design employee retention policies that are evidence based because 'the most potent action HR managers can take to ensure their strategic contribution is to develop a measurement system that convincingly showcases HR's impact on business performance.' (Huselid et al 2001) Having accurate information and measures on employee retention will help to ensure its effective management based on the principle that 'if you don't measure it, it won't improve.' (Conerly 2013) And then respond in a way that is focused and cost effective.

The rate by which employee retention is measured is 'the proportion of employees with a specified length of service (typically one year or more) expressed as a percentage of overall workforce numbers.' (CIPD 2013) This can be put forward as a stability index which indicates the retention rate of experienced employees. Like turnover rates, this can be used across an organisation as a whole or for a particular part of it, say a region, area or business unit. Having a common metric allows comparison and the identification of the most effective practices in high performing parts of the organisation that can be shared elsewhere.

One of the challenges in measuring employee retention is the sheer complexity of the reasons behind motivation or demotivation; engagement or disengagement, staying or leaving. Employees have 'multiple needs based on their individual, family, and cultural values. In addition, these needs depend on the current and desired economic, political, and social status; career aspiration; the need to balance career, family, education, community, religion, and other factors; and a general feeling of satisfaction with the current and desired state of being.' (Sunil 2004). An understanding of these needs and placing them against the ability of the organisation to deliver, will require insights into the reasons for staying or leaving (using workforce information) as well as an understanding of the cultural dynamics that create such reasons.

'By having more sophisticated information, the organisation will be able to formulate a response that is targeted at those individuals or groups of individuals who would benefit most from such an intervention. Instead of blanket responses to retention, using better people metrics enables targeting and positioning. The objectives of focus and fit in talent strategy would then be satisfied.' (Turner and Kalman 2014)

There are a range of sources of information that can be used to inform a strategy for employee retention.

At a macro level, workforce statistics such as those from the strategic workforce plan or monthly 'headcount' reports can provide important data. Indicators such as those provided by the retention index or labour turnover rates can be calculated from this data. Increasingly HR or predictive analytics provide more sophisticated analyses. Such quantitative data at the higher level can be complimented by that provided in individual performance or development reviews.

Figure 3 below shows the categories within which data can be sourced and some of the specific elements that are almost certainly in place and can be leveraged in the preparation of employee retention strategy.

Figure 3

Sources of information about employee retention

Workforce statistics	Employee attitude surveys	Social media	Benchmarking
<ul style="list-style-type: none"> • retention index • labour turnover of the organisation as a whole measured as: $\frac{\text{Total number of leavers over period}}{\text{Average total number employed over period}} \times 100$ • labour turnover in a particular region, area or business unit • Use HR analytics to identify underlying cause and effects 	<ul style="list-style-type: none"> • EAS results mapped against departmental turnover • segment by area • track momentum over time • use question structure to establish why people stay • Exit interviews to ascertain reasons for leaving • conduct stay interviews as well as exit interviews 	<ul style="list-style-type: none"> • follow trends on organisational social media sites by spotting likes, comments, shares or retweets and website traffic generated 	<ul style="list-style-type: none"> • compare performance on labour turnover and retention with other organisations within the sector • use retention index measured as • <u>Number of staff with service of one year or more</u> $\frac{\text{Total number of staff in post one year ago}}{\text{Total number of staff in post one year ago}} \times 100$

However, qualitative information is also essential if an accurate picture of retention is to be painted. Qualitative sources include employee attitude surveys, performance reviews or stay/exit surveys. Gathering this, even though it may be anecdotal and not as rich as the mass of information that will come from say the monthly employee headcount report, will provide a more representative mix of quantitative and qualitative data.

Crafting an Employee Retention Strategy

A clear strategic rationale for employee retention strategy and policy

The diversity of reasons for disengagement and eventual departure, together with the different motivational drives of individuals in their reasons for staying, will require an insightful response from managers and people management professionals. This means having a deep understanding of the needs of individuals in a specific part of the organisation. The objective will be to align people management and talent practices to the achievement of a high engagement culture that will in turn lead to the organisation achieving its objectives. On the one hand the development of a strategic response to employee retention is needed; on the other, clear, well thought-out operational plans for implementing the employee retention strategy.

In this respect the organisation's response will need to be crafted based on the unique context in which the organisation is operating. But one consistent conclusion is that a solution is 'not only to regard it as a subject within the talent remit but also part of a wider employee engagement initiative.' (Turner and Kalman 2014) There's a sound argument for linking talent management, employee engagement, and employee retention.

However there is a consensus that the retention of talent needs a multifaceted approach that combines monetary rewards with others that are based on values, meaning and a culture of opportunity. Monetary rewards are only one part of the employment relationship and will not be as effective if the employee doesn't have an interesting job, long term career planning and support from line managers. Retention is about more than money. Instead retaining talent is a holistic process that will span most aspects of people management. From recruitment, as explained above- through the complete employee life cycle.

Employee retention- four essential approaches

A strategic approach to employee retention will require a focus on those themes that will contribute to the alignment of the employee retention strategy to the achievement of the organisations objectives. Four have been highlighted. These are engage and retain through providing meaning at work; develop for potential; retain through opportunity; reward for performance; reward fairly to retain and excite through culture.

Figure 4 shows four areas to which effort can be given to support the retention process.

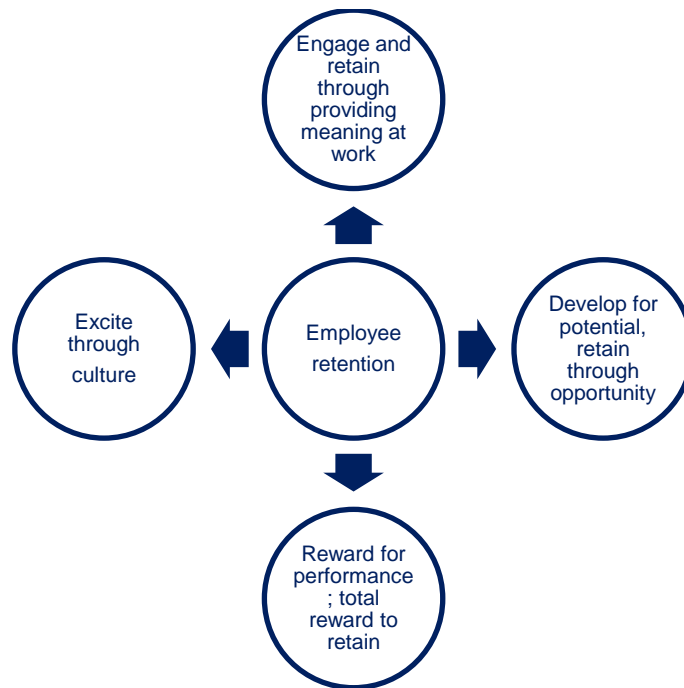
- **Engage and retain through providing meaning at work**

A critical factor in employee retention is a working environment that is productive, respectful and provides a feeling of inclusiveness. In addition, employees at all levels want to have a sense of meaning about why they are doing the work and what their contribution is to the overall success of the organisation. Those able to provide this will have employees who 'tend to work harder, more creatively, and with more tenacity, giving the companies that employ them a leg up in the marketplace.' (Ulrich and Ulrich 2010) There is a better chance that engaged employees will stay with the organisation.

The NHS Leadership Academy's Insight 2, *Talent Management and Employee Engagement* went into detail about the relationship between talent management and employee engagement and there is an equally strong link between employee retention and employee engagement. West and Dawson (2012) have noted that employee engagement can be defined as 'a positive attitude held by the employee

towards the organisation and its values.’ This means creating an environment in which employees are aware of the context within which their organisations are operating and how their work, and that of their teams contribute to the achievement of the objectives.

Figure 4
Employee Retention - four essential approaches



After Turner and Kalman 2014

Amongst the things that can be done to create this positive environment are giving clear direction, support and a culture of engagement. In this context, engagement through meaning is concerned with the quality of service through positive work climates in which there is a culture of trust. ‘Such steps produce high quality and improving patient care along with effective financial performance.’ The experiences of employees ‘are of importance for many people for their own sake,’ but with the potential effects on service there is renewed importance. (West et al 2012)

There will be a knock on effect in helping to create a sustainable, competitive organization; and help in making sure that employees stay with the organisation. Before this can happen an understanding of how the term meaning is interpreted because it will be different in the case of each employee. Issues such as role clarity, (employees should know what is expected of them at work) understanding the contribution to the organisation’s overall objectives and the ability to influence its direction or such wider issues as corporate social and environmental responsibility.

The response to the findings about meaning will result in a climate of respect, commitment to careers, effective communications, work life balance and reward that are seen as fair and reflect the amount of effort contributed. Or they can be at individual level by seeking to improve working relationships between teams of employees and between employees and line managers. These will be reflected in the employer brand and employee value proposition and ultimately in the ability of an organisation to retain employees.

The creation of meaning can also be enhanced by having an effective performance management system. This can ensure that there is a clear line of sight between the contribution of the individual and the performance of the organization as a whole. Performance management allows the breaking down of goals and the chance to relate 'what these objectives are to the bigger picture of organizational success then this might add to understanding and meaning on the part of the employee.' (Turner and Kalman 2014)

The performance management process and its inherent two way dialogue between manager and employee not only gives a better communication process, but also a better engagement process. This in turn will allow all employees to understand their roles and how these add value to the organisation's success. Such an understanding provides meaning at work and with it will come a better chance of retention.

'Our analysis showed that the type of appraisal is a key factor in predicting engagement. Overall engagement was substantially higher amongst staff who had received a well-structured appraisal. Conversely, for staff who had received a poor quality appraisal, engagement levels were slightly lower than for staff who did not receive an appraisal at all.

If they have meaning and if they can relate this to what is expected of them through their individual business objectives there is a better chance that employees will feel ownership and this will be translated into performance.

***Likewise, staff who had agreed a personal development plan with their line manager had higher engagement levels than those who had not.'* (West et al 2012)**

Three approaches have been identified will support the objective of creating meaning at work which include a transparent communication process which takes account of social media; a two way dialogue via a responsive organisation. This is an organisation that both listens and hears the views of its employees. And that, where possible it is able to do something about any issues that arise and finally a philosophy of employees as partners in the venture, giving a feeling of ownership and ultimately adding to the meaning of work, or the 'Why of Work.' (Ulrich and Ulrich 2010)

If these three things can take place then there is a good chance of an increase in discretionary effort on the part of the employee but also an acceptance of accountability and a better connection to the organisation. In turn this will increase the chances of employee retention. The NHS leadership Academy's *Insight 2. Talent Management and Employee Engagement* demonstrated the linkages between an inclusive talent strategy and the ability to engage employees. Understanding these linkages and acting on the outputs of this understanding are important in the generation of meaning at work as part of an overall retention strategy.

- **Develop for potential; retain through opportunity**

The second theme in crafting a strategy for employee retention is about developing for potential and retaining through opportunity. We saw earlier that there was evidence that a lack of development opportunities was one of the reasons why employees left organisations and concomitantly the creation of development opportunities would be a powerful factor in employee retention.

Employee retention can be enhanced by providing opportunities for career progression and clear career paths through the organisation. Through inclusive talent management, such career paths will be open to a broad range of the workforce through creating the freedom for all employees to take advantage of career and development opportunities wherever they are.

Developing for potential can include formal development methods such as leadership programmes and projects and assignments. In this respect sponsorship from the very top is a critical success factor to development and it has been proposed that the Chief Executive Officer should also be the Chief Talent Officer. (Turner and Kalman 2014) Informal ways to develop employees is equally important in the employee retention process and this includes developing a culture whereby learning at work is considered to be a part of the very process of being an employee; coaching, mentoring and networking.

Having both formal and informal development processes is just one part of the equation in crafting an employee retention strategy. The other, of equal importance is to provide the opportunities for employees to develop. At executive level these opportunities will include leadership roles to test critical thinking skills, change management in a large scale context and leading cross-cultural teams.

But it is not only at executive level where the opportunity to develop needs to take place if effective employee retention is to be delivered.

Employee retention is a strategy that is applied to the whole organisation and so the creation of opportunities to develop means opportunities for all. The creation of an inclusive talent strategy will help in the achievement of employee retention.

Employees at all levels want to have a sense of meaning about why they are doing the work and what their contribution is to the overall success of the organisation. Those organisations that are able to provide this will have employees who 'tend to work harder, more creatively, and with more tenacity, giving the companies that employ them a leg up in the marketplace.' There is a better chance that engaged employees will stay with the organisation.

- **Reward for performance; total reward to retain**

Rewarding for performance and rewarding fairly for retention is the

third essential 'strategic' approach to employee retention. On the one hand reward for performance is a common practice in which an element of reward is directly linked to a series of individual or corporate objectives. On the other, rewarding in a way that is seen to be fair by the individual is an additional criteria in the employee retention strategy.

Having a strategic approach to reward i.e 'based on the design and implementation of long-term reward policies and practices to closely support and advance business or organisational objectives as well as employee aspirations,' (CIPD 2014) is important.

The first aspect of reward is that of pay and designing pay structures is a key element of ensuring that the business is able to recruit, retain and engage the staff it needs to achieve its goals (for example, linking individual pay progression with those types of performance that are valued by the business such as customer focus. CIPD 2014)

However, 'total reward' includes other elements that are important when developing an employee retention strategy. These include work/life balance, a positive company culture the opportunity for employee development and a positive working environment including 'job design and the physical workspace.' Amongst the things that can be included in the total reward approach are flexible work arrangements and opportunities for engage in charitable work or corporate social and environmental initiatives. Such an approach will be relevant to all generations but to Gen Y, 'cold hard cash is not necessarily the prime motivator for this group. The challenge is to redesign incentives that inspire and motivate this new generation. The plus side is that because these reward and recognition initiatives can be less costly to fund, a business is able to offer more options, and employees can 'customize' their reward options to suit their own preferences.' (Solnet 2012)

At the highest level reward has been used as a retention tool through such things as retention bonuses for selective staff. These would apply to those involved in strategic projects or to members of the senior management team employed to develop and implement a long term strategy for the organisation. The objective is to encourage these employees to stay with the organisation and see projects or performance through a period of 1-3 years. But increasingly total reward strategy is being used to cover a wider range of employees. Total reward includes financial and non- financial incentives and can include training, learning and development opportunities, the ability to flex work and aspects of the working environment as well as pay and benefits.

There are different approaches to reward across organisations 'and so is the structure used by different organisations to define and present them.' (CIPD 2014) There are several reward components including organization reward strategy and philosophy, base pay, base-pay increases, short-term variable pay and benefits. And, for the purposes of employee retention, it's possible to place these within a framework that includes:

- 'A declaration of intent, or statement of proposed reward developments.' This means having clarity about the bases of reward.
- A clearly laid out rationale as to the reasons why a particular approach to reward has been adopted. If the employee understands the approach to total reward and is engaged in reasons then there is a good chance that he or she will setting out the business case for the reward proposals feel a sense of fairness- one of the criteria of employee retention
- A 'definition of guiding principles.' This means the organisation laying out how a level of reward is earned or allocated.

But even with this clarity there are still challenges. For example, what should be included in the concept of total reward varies from organisation to organisation and this changes over time. Recognising and rewarding achievement through non-financial means is a powerful retention strategy. Such recognition can include:

- Increasing the employee's visibility by 'publically recognising them at staff meetings or through a business-wide email.'
- Taking the time to recognise good work is also an easy and effective way to make people feel valued and appreciated for their efforts.
- the opportunity to lead a new project.

Most people feel a greater sense of accomplishment and self- worth when recognised by the organisation. Real time feedback can contribute to this.

- **Excite through culture and leadership**

The fourth element of the employee retention strategy is the importance of creating a culture in which excitement about what the organisation is trying to achieve provides an environment in which employees are proud to belong and wish to stay. The culture of the organisation, how it is led and how supportive it is to the development aspirations of its workforce will be critical factors in the retention of talent.

There is an onus on the organisation's leadership to create a feeling of excitement and where this takes place 'the organisation stands a better chance of retain talented employees that one in which the culture is stilted and unappealing.' (Turner and Kalman 2014) In addition the quality of the manager/ employee relationship is a critical determinant of employee retention as we highlighted

earlier in this insight. An effective manager/ employee relationship includes feedback on performance; clarity of what is expected within a role and of the employee and a sense of fairness. This will lead to a healthy workforce relationship and in addition an exciting and progressive culture that can be an important employee retention attribute.

These four elements form a strategic framework within which employee retention can take place. It is essential that once this has been agreed an effective 'joined up' approach to implementation is undertaken.

Operationalising the Employee Retention Strategy

Implementing the employee retention strategy will benefit from a systematic approach

It is important that having spent time developing strategies against each of the above four strategic themes, effort is given to their implementation. The following are some important activities or projects that will support this process. Figure 5 below shows how these various important criteria can be combined into effective implementation.

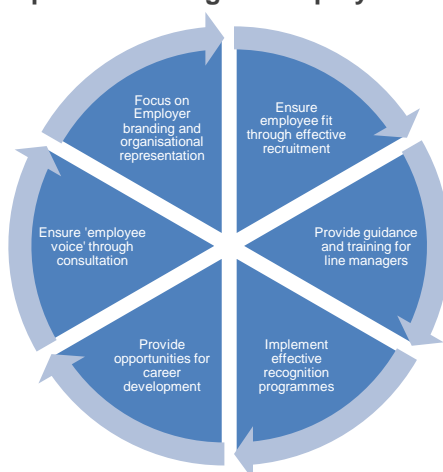
- **Ensure employee fit through effective recruitment**

The process of engaging and retaining by providing meaning at work begins with an effective recruitment and onboarding campaign. Indeed, the process of retention starts before the employee joins the organisation and it is important that there is recognition to 'hire right in the first place by focusing on job skills and a better fit, which is more likely to lead to a long employment tenure.' (Conerly 2013)

Those who are selected according to the job requirement ie there is a fit between employee and the role for which they are being recruited are likely to have a greater level of commitment, which will in turn help in employee retention. One way of doing this is to give prospective employees a 'realistic job preview' at the recruitment stage. Indeed a recent study of Generation Y noted that 'it seems even more important, not only because of the tangible and intangible costs of turnover, but rather because of the importance the Gen Y employees places on co-worker relationships and value alignment with their employers.' (Solnet et al 2012) The presence of such a value alignment will help to ensure retention. Its absence will lead to dissatisfaction and departure.

As the CIPD (2013) have noted it's important not to raise expectations only to dash them later. Hence the need to provide realistic information about the job and the organisation; incorporate job and employee fit information into the recruitment process. (Allen 2008) 'Onboarding' as the second stage of recruitment is also an opportunity to reinforce alignment between the values of the employee and the company and thereby increase the chances of employee retention.

Figure 5
Key stages in operationalising the employee retention strategy



- **Provide guidance and training for line managers**

The two strategic themes of creating meaning at work and exciting through culture will be dependent on the role played by line managers and this is the second area to which operational emphasis should be given.

The people dynamic in many organisations has been characterised as ‘people join brands and leave managers’. (CIPD 2007) Critical to the success of any employee retention strategy therefore, will be the role and approach of line managers who will be responsible for the ‘tone’ of the working environment and the nature of relationships with individual employees. If the line manager relationship is a good one; if the line manager embraces the need for fairness and diversity; and if the line manager encourages career development (even outside of his or her department,) then the foundations of employee retention will be laid. It is often the behaviour and relationship with the immediate manager that determines whether an employee will stay with the organisation.

It’s important therefore to pay close attention to the company culture and line managers are at the forefront of this. Providing training to line managers and then make them accountable for creating an environment which is positive for retention is important. In addition it is possible to reward managers with a ‘good record for keeping people by including the subject in appraisals.’ (CIPD 2013) The emphasis on the message to line managers is to support their team members in the development of their careers, enrich or enlarge specific roles, be positive about flexible working and interpret the policy in a way that encourages employees, give regular feedback, recognise work well done and provide information about how the organisation is doing and the performance of then individual employee in this. (Morton et al 2001)

The benefits will be felt across the generations but for Generation Y who place great value on friendship, co- worker relationships trust and ‘working together to achieve goals’ (Solnet 2012) the line manager can be critical to retention levels. This doesn’t only relate to the line manager as the ‘owner’ of performance management and appraisal but the line manager as coach and mentor.

- **Implement effective recognition programmes**

The strategic element of reward requires a particular emphasis on recognition. Employees who perceive that their organizations value their input and performance are more likely to respond positively to their work which will in turn enhance their commitment and engagement and ultimately

their inclination to stay with the organisation. This means creating an environment where employees feel that their efforts and performance are recognized.

There are two elements to this. The first means that an effective pay structure will need to be put in place as outlined in the section on reward in the above strategy discussion; the second is about recognition.

‘Employee recognition can take many forms - it can be from supervisor to employee ("thanks, great job today. You really are getting better at managing your section!"), from peer-to-peer (employees nominating other team members for special recognition), team-based (recognition of revenue, profit or customer satisfaction targets achieved by the team), or organization-wide (publicized awards for outstanding performance or demonstration of company values). (Solnet 2012)

We saw in earlier evidence that the failure to provide effective recognition for a job well done can be extremely demotivational and is one of the prime reasons why people leave. On the flip side, recognition is a powerful retention tool. Formally this can be part of the total reward package, and informally through good line management. It’s important therefore to review recognition programs and if necessary revitalise them.

- **Provide opportunities for career development**

One of the four drivers of retention strategy is to develop for potential and to retain through opportunity. Hence there should be a focus on career development and enhancement and to ‘maximise opportunities for employees to develop skills and move on in their careers. Where promotions are not feasible, look for sideways moves that vary experience and make the work more interesting.’ (CIPD 2013)

High on the list of satisfaction, engagement and retention drivers in every region of the world are ‘career development opportunities and training and more opportunities to do what I do best.’ (Rice et al 2013) It will be critical to the success of the retention strategy that opportunities for career development are provided not just for high potentials or fast trackers but for a large swathe of employees. This is an inclusive approach to talent management and development for all.

The diversity of reasons for disengagement and eventual departure suggest that a sophisticated, strategic response to retention is needed. This will require insights into the reasons for leaving (using workforce information) as well as an understanding of the cultural dynamics that create such reasons.

- **Ensure employee voice through consultation**

In the NHS Leadership Academy’s Insight 2 *Talent Management and Employee Engagement* we discussed the benefits of employees

voice which included allowing the contribution of ideas and information; allowing the communication of ideas for improvement; raising concerns issues and questions and contributing to the development of shared understanding. The conclusion was that employee voice was a valuable source of upward problem solving. In addition, employee voice can also be a significant contributor to employee retention.

In this instance employee voice means taking account of the employee perspective on issues that affect them. Feedback and the means to provide feedback can alert the organisation to any possible problems or challenges for the organisation, department or business unit or for the individual. There will be an opportunity to rectify these and thereby increase retention possibilities. Employee voice is critical to the effective function of the organisation. The challenge is to ‘break through hierarchical, social or cultural barriers and ensure that each individual feels that his or her contribution is valued.’ (Rice et al 2013) The processes by which voice can be enacted include good line management which

gives a day to day outlet but other measures such as consultative bodies, an effective and regular appraisal system and employee attitude surveys. In the modern organisation employee voice is given greater volume through the use of social media. Harnessing the messages from these sources will be a priority.

- **Focus on employer branding and organisational representation**

The final area of operations concerns the development of an employer brand as a way of building association between the employer and employee on the values of the organisation. The employer brand is 'a set of attributes and qualities, often intangible, that makes an organisation distinctive, promises a particular kind of employment experience, and appeals to those people who will thrive and perform best in its culture' It is the 'package of functional, economic and psychological benefits provided by employment and identified with the employing company.' Its role is to provide coherence with the objective of improving processes such as recruitment and retention.

The employer brand describes the degree of a company's attractiveness to current and potential employees. (Schlager et al 2011) It is therefore more than attracting people from outside labour markets as an employer of choice. It can form a powerful bond to keep existing employees in the organisation. It encapsulates a message that says 'we value our employees.' In addition, employer branding is a tool 'to help organisations differentiate what they have to offer in the labour market, and recruit, retain and engage the people they need to succeed.' (CIPD 2013) It is the articulation of the Employer Value Proposition ie what the organisation stands for and offers as an employer.

The Employer brand informs how the organisation deals with induction, performance management and reward, managing internal communications and promoting effective management behaviours. A combination of these elements in a positive and integrated way will add considerable value to the chances of retaining talented employees.

For an employee retention strategy to achieve its goals of keeping talented people within the organisation, there will need to be a focus on its operationalisation. The above factors will help to ensure that this is the case.

Key conclusions

Employee retention is a critical part of the talent management portfolio. For some it is as important as employee attraction.

It is the extent to which an organisation is able to keep its employees- either over a long period of time or until the completion of a specific project or contract. The reason for its importance is that with so much investment going into recruiting people who are going to deliver the organisation's objectives and then providing them with additional skills to do so, it would be counterproductive if those same people left. The return on investment in the organisation's human capital would be lost.

There is an increasing focus on developing effective employee retention strategies to prevent this. These strategies can be targeted towards the organisation as a whole or towards departments, business units or individuals. The objective behind employee retention strategies will be to align people management and talent practices to the achievement of a high engagement culture that will in turn lead to the organisation achieving its objectives.

However, the diversity of reasons for disengagement and eventual departure, together with the different motivational drives of individuals in their reasons for staying, will require a response that has insight on the part of managers and people management professionals based on the unique contexts of their departments or business units.

The output of employee retention will be people management policies, practices and interventions designed to engage the workforce to stay. Such interventions will include actions on pay and reward such as total reward practices that embrace flexible working or for individuals such things as retention bonuses; on the management style and culture of the organisation and on the provision of training and development opportunities.

The alignment of employee retention with the talent strategy and ultimately with the business strategy will be an important consideration.

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