Managing Talent Retention: An ROI Approach

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Objectives

After attending this session, participants should be able to:

- Calculate the actual cost of turnover.
- Determine the cause of turnover.
- Identify the appropriate solutions.
- Forecast the ROI for the solutions.

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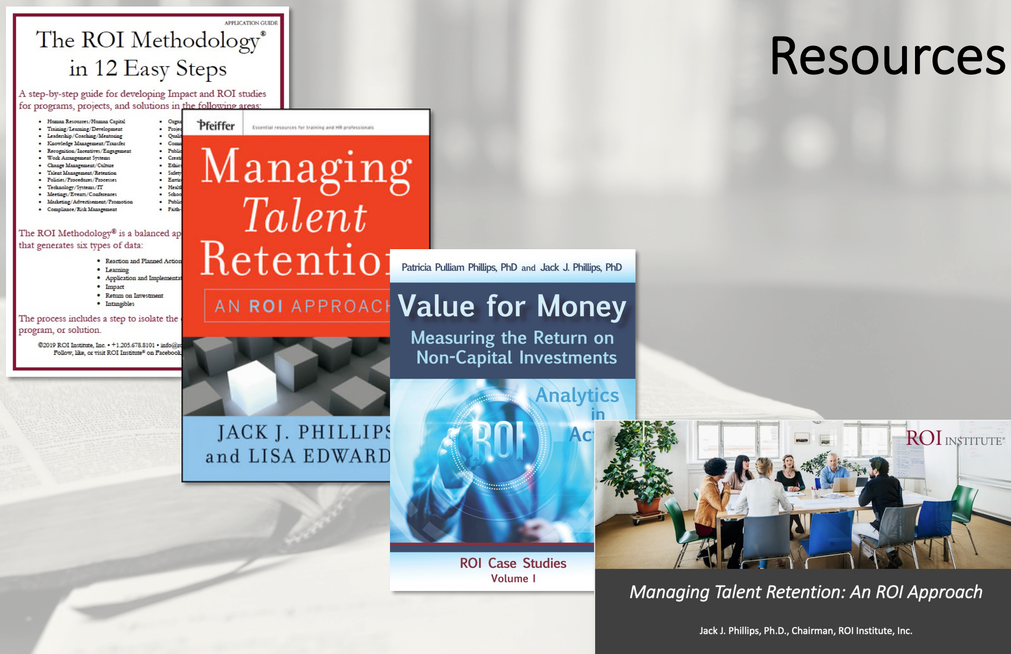
Resources



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Why are you here today?

A. I have very high turnover in many job categories.
B. I have very high turnover in a few job categories.
C. Turnover is higher than it should be.
D. I anticipate turnover will increase soon.
E. I want to be prepared to manage retention when needed.

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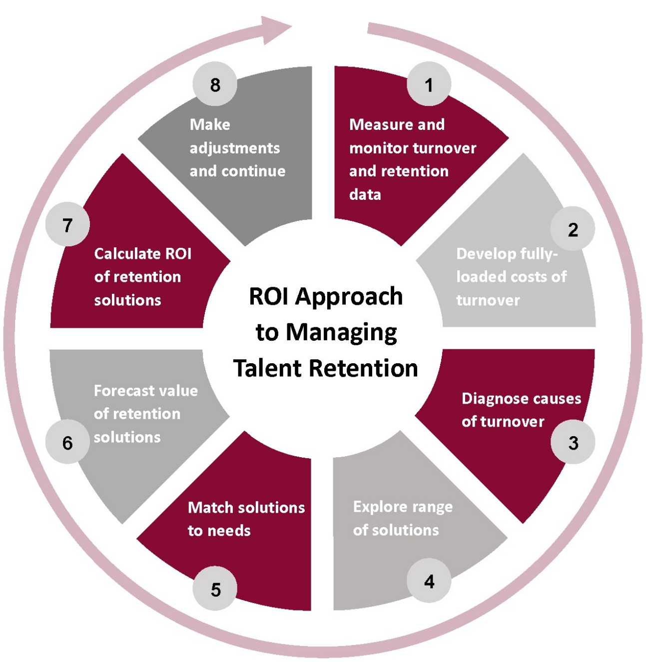

ROI Approach to Managing Talent Retention

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Step 1

Measure and monitor turnover and retention data

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How to Calculate Turnover

$$\text{Turnover (\%)} = \frac{\text{Number of employees leaving in a specific period}}{\text{Average number of employees}}$$

Turnover can be calculated by:
- Job group
- Branch, plant, department
- Division
- Organization

Turnover can be characterized by type of departure:
- Voluntary
- Avoidable
- Regrettable

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Step 2 | Develop fully-loaded costs of turnover

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Turnover Costs

- Exit cost of previous employee
- Recruiting cost
- Employment cost
- Orientation cost
- Training cost
- Wages and salaries while training
- Lost productivity
- Quality problems
- Customer dissatisfaction
- Loss of expertise/knowledge
- Supervisor’s time for turnover
- Temporary replacement costs

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Example of Using External Databases*

Job Type/Category	Turnover Cost Ranges as a Percent of Annual Wage/Salary
Entry Level — Hourly, Non-skilled, e.g., Fast Food Worker	30-50%
Service/Production Workers – Hourly, e.g., Courier	40-70%
Skilled Hourly, e.g., Machinist	75-100%
Clerical/Administrative, e.g., Scheduler	50-80%
Professional, e.g., Sales Representative, Nurse, Accountant	75-125%
Technical, e.g., Computer Technician	100-150%
Engineers, e.g., Chemical Engineer	200-300%
Specialists, e.g., Computer Software Designer	200-400%
Supervisors/Team Leaders, e.g., Section Supervisor	100-150%
Middle Managers. e.g., Department Manager	125-200%

*Education Resources Information Center

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Step 3 | Diagnose causes of turnover

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Why Employees Leave

- Inadequate pay
- Insufficient benefits
- Ineffective management
- Lack of engagement
- Lack of career opportunities
- Type of work
- Employee feels underappreciated
- Insufficient work-life balance
- Lack of work flexibility
- Unrealistic goals and expectations
- Mission of organization
- Performance goals are not clear
- Dysfunctional culture
- No longer challenged
- Lack of growth opportunities
- Burnout

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Methods to Determine Causes

- Brainstorming
- Problem analysis
- Cause-and-effect diagram
- Diagnostic instruments
- Mind mapping
- Records analysis
- Stay interviews
- Focus groups
- Probing interviews
- Job satisfaction surveys
- Engagement surveys
- Exit interviews
- Exit surveys
- Nominal group technique

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Step 4 | Explore range of solutions

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Specific Needs Example

The top 10 causes of turnover in the bank branches:

- Lack of opportunity for advancement
- Lack of opportunity to learn new skills and new product knowledge
- Pay level not adequate
- Not enough responsibility and empowerment
- Lack of recognition and appreciation of work

- Lack of teamwork in the branch
- Lack of preparation for customer service problems
- Unfair and unsupportive supervisor
- Too much stress at peak times
- Not enough flexibility in work schedules

Action: Tackled Top Five

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Step 5 | Match solutions to needs

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Match Solution to Needs

- Avoid mismatches
- Discourage multiple solutions
- Select a solution for a maximum return
- Verify the match early
- Check the progress of each solution

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Step 6 | Forecast value of retention solutions

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What is ROI?

$$BCR = \frac{\text{Program Benefits}}{\text{Costs}}$$

$$ROI = \frac{\text{Benefits - Costs}}{\text{Costs}} \times 100$$

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Pre-Project Forecasting Model

- Anticipate the Reaction to the Program
- Estimate the Amount of Learning to Make the Program Successful
- Estimate Application- the Steps and Actions to Make the Program Successful
- Estimate Change in Impact Data
- Convert Data to Monetary Values
- Estimate Program Costs
- Calculate the Return on Investment
- Anticipate Intangible Benefits

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Step 7

Calculate ROI of retention solutions

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Evaluation Framework

Levels of Evaluation	Measurement Focus	Typical Measures
0. Inputs & Indicators	The input into the project in terms of scope, volume, efficiencies, costs	Participants, Hours, Costs, Timing
1. Reaction & Planned Action	Measures participant satisfaction and captures planned actions, if appropriate	Relevance, Importance, Usefulness, Appropriateness, Intent to use, Motivation to take action
2. Learning & Confidence	Measures changes in knowledge, skills, and attitudes	Skills, Knowledge, Capacity, Competencies, Confidence, Contacts
3. Application & Implementation	Measures changes in behavior or actions	Extent of use, Task completion, Frequency of use, Actions completed, Success with use, Barriers to use, Enablers to use
4. Business Impact	Measures changes in business impact variables	Productivity, Revenue, Quality, Time, Efficiency, Customer Satisfaction, Employee Engagement
5. Return on Investment	Compares project benefits to the costs	Benefit-Cost Ratio (BCR), ROI%, Payback Period

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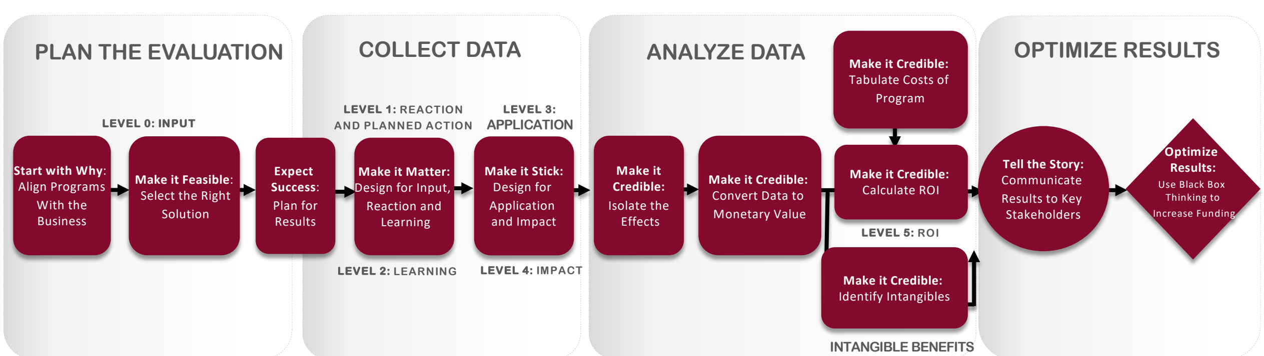
The ROI Methodology Process Model

Designing for the Delivery of Business Results



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Step 7
Make adjustments and continue
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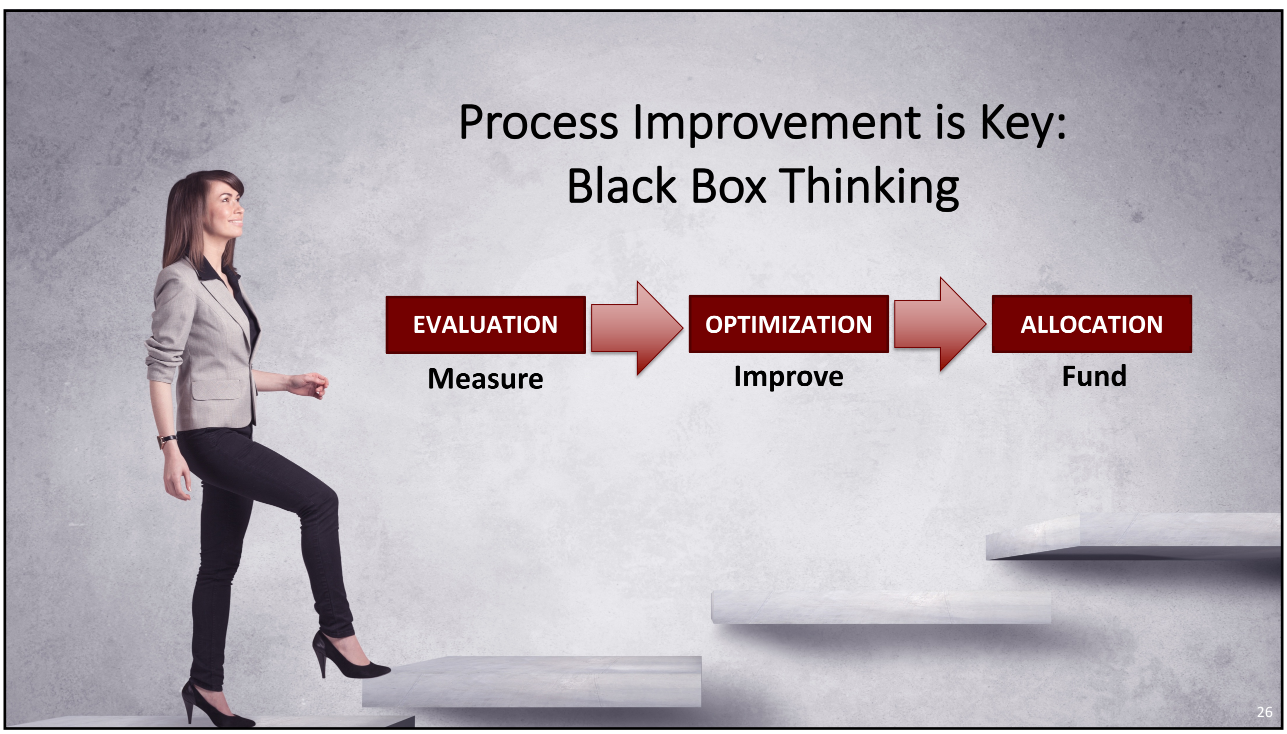
Process Improvement is Key:
Black Box Thinking
EVALUATION
Measure
OPTIMIZATION
Improve
ALLOCATION
Fund
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Southeast Corridor Bank

- Regional bank–60 branches in four states
- Rapid growth through multistate acquisition
- Mergers led to integration issues

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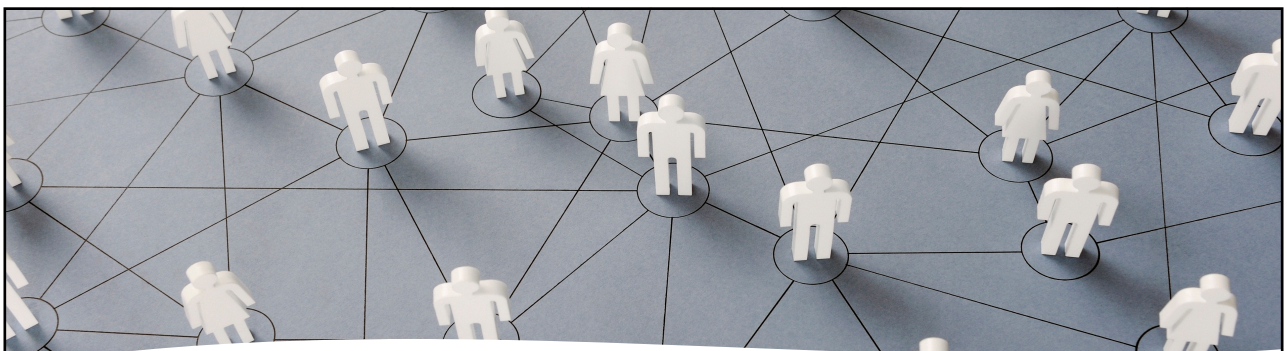

The Need

SCB’s annual turnover = 57%
Industry average = 26%

Turnover leads to:
- Operational problems
- Misemployed staff and supervisor time
- Customer service disruptions

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Nominal Group Technique

Technique Analysis

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The Solution: Engagement Linked With a Reward

Expand the scope of the employees’ jobs with increased pay and a clear path for advancement and improvement to:

- Broaden employee responsibilities
- Empower excellent customer service

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ROI Calculation

$$BCR = \frac{\$4,625,000}{\$1,290,396} = \boxed{3.58}$$

$$ROI = \frac{\$4,625,000 - \$\,1,290,396}{\$1,290,396} \times 100 = \boxed{258\%}$$

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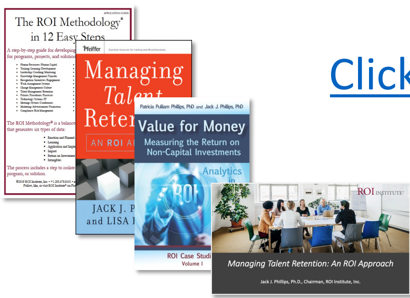

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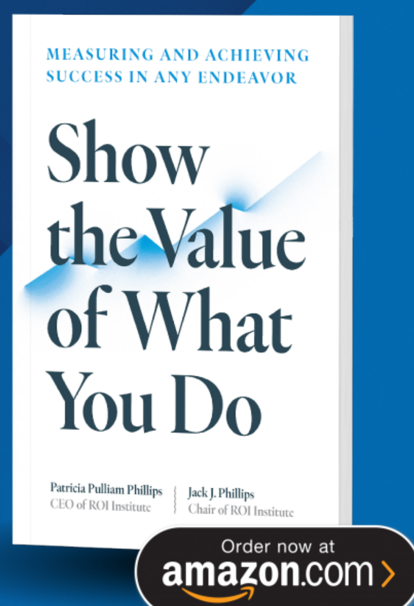

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Questions?

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